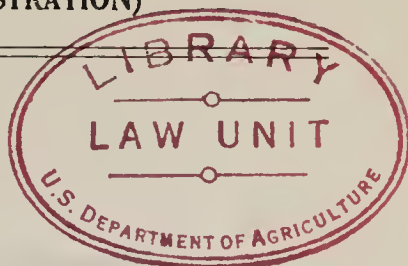


Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

81
MODIFYING REORGANIZATION PLAN NO. II OF 1939
AND REORGANIZATION PLAN NO. 2 OF 1953
(RURAL ELECTRIFICATION ADMINISTRATION)



HEARING
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON
GOVERNMENT OPERATIONS
HOUSE OF REPRESENTATIVES
EIGHTY-SIXTH CONGRESS

FIRST SESSION

ON

H.R. 1321, H.R. 3029, H.R. 3192, H.R. 4662,
H.R. 5746, H.R. 5688, and H.R. 5853

BILLS TO MODIFY REORGANIZATION PLAN NO. II OF 1939
AND REORGANIZATION PLAN NO. 2 OF 1953
(Rural Electrification Administration)

MARCH 6, 1959

Printed for the use of the
Committee on Government Operations



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1959



COMMITTEE ON GOVERNMENT OPERATIONS

WILLIAM L. DAWSON, Illinois, *Chairman*

CHET HOLIFIELD, California
JOHN W. McCORMACK, Massachusetts
JACK BROOKS, Texas
L. H. FOUNTAIN, North Carolina
PORTER HARDY, Jr., Virginia
JOHN A. BLATNIK, Minnesota
ROBERT E. JONES, Alabama
EDWARD A. GARMATZ, Maryland
JOHN E. MOSS, California
JOE M. KILGORE, Texas
DANTE B. FASCELL, Florida
MARTHA W. GRIFFITHS, Michigan
HENRY S. REUSS, Wisconsin
OVERTON BROOKS, Louisiana
ELIZABETH KEE, West Virginia
KATHRYN E. GRANAHAH, Pennsylvania
JOHN S. MONAGAN, Connecticut
NEAL SMITH, Iowa

CLARE E. HOFFMAN, Michigan
R. WALTER RIEHLMAN, New York
GEORGE MEADER, Michigan
CLARENCE J. BROWN, Ohio
FLORENCE P. DWYER, New Jersey
JOE HOLT, California
ROBERT P. GRIFFIN, Michigan
GEORGE M. WALLHAUSER, New Jersey
JESSICA McC. WEIS, New York
ODIN LANGEN, Minnesota
ROBERT R. BARRY, New York

CHRISTINE RAY DAVIS, *Staff Director*

ORVILLE S. POLAND, *General Counsel*

JAMES A. LANIGAN, *Associate General Counsel*

HELEN M. BOYER, *Minority Professional Staff*

J. P. CARLSON, *Minority Counsel*

EXECUTIVE AND LEGISLATIVE REORGANIZATION SUBCOMMITTEE

WILLIAM E. DAWSON, Illinois, *Chairman*

DANTE B. FASCELL, Florida
KATHRYN E. GRANAHAH, Pennsylvania
NEAL SMITH, Iowa

CLARENCE J. BROWN, Ohio
ROBERT R. BARRY, New York
CLARE E. HOFFMAN, Michigan, *ex officio*

ELMER W. HENDERSON, *Counsel*

PHINEAS INDRITZ, *Counsel*

ORVILLE J. MONTGOMERY, *Associate Counsel*

WILLIAM A. YOUNG, *Professional Staff Member*

EARLE J. WADE, *Staff Member*

LAWRENCE REDMOND, *Clerk*

CONTENTS

	Page
H.R. 1321.....	1
H.R. 3029.....	1
H.R. 3192.....	2
H.R. 4662.....	2
H.R. 5746.....	2
H.R. 5688.....	2
H.R. 5853.....	3
Statement of—	
Finan, William F., Assistant Director, Bureau of the Budget.....	5
Harbo, Esther, director of education, Rocky Mountain Farmers Union.....	110
Morris, Hon. Toby, a Representative in Congress from the State of Oklahoma.....	23
Pfost, Hon. Gracie, a Representative in Congress from the State of Idaho.....	16
Price, Hon. Melvin, a Representative in Congress from the State of Illinois.....	4
Scott, Kenneth L., Director of Agricultural Services, Department of Agriculture; accompanied by David A. Hamil, Administrator, Rural Electrification Administration.....	27
Wolf, Hon. Leonard, a Representative in Congress from the State of Iowa.....	14
Letters, statements, etc., submitted for the record by—	
Anderson, Hon. LeRoy H., a Representative in Congress from the State of Montana:	
Letters received by Hon. LeRoy H. Anderson from—	
Babcock, H. L., manager, Vigilante Electric Cooperative, Inc., Dillon, Mont., March 2, 1959.....	100
Board of Trustees, Missoula Electric Cooperative, Inc., Missoula, Mont., March 4, 1959.....	110
Jewett, Chas. E., manager, Golden West Electric Co-op, Wibaux, Mont., March 2, 1959.....	100
Krueger, Fred, vice president, Flathead Electric Cooperative, Inc., Kalispell, Mont., February 27, 1959.....	100
Vejtasa, John, president, McCone Electric Co-op, Inc., Circle, Mont., March 2, 1959.....	100
Wheat, H. W., president, Montana State Rural Electric Cooperative Association, Dillon, Mont., February 27, 1959.....	100
Carter, Hon. Steven V., a Representative in Congress from the State of Iowa: Statement.....	104
Coad, Hon. Merwin, a Representative in Congress from the State of Iowa:	
Letter from Hon. Mervin Coad, to Hon. William L. Dawson, March 9, 1959.....	111
Statement.....	111
Dawson, Hon. William L., a Representative in Congress from the State of Illinois, and chairman, House Government Operations Committee:	
Letters received by Hon. William L. Dawson from—	
Anderson, Hon. LeRoy H., a Representative in Congress from the State of Montana, March 4, 1959.....	104
Becker, A. E., manager, Association of Illinois Electric Cooperatives, Springfield, Ill., March 3, 1959.....	101

Letters, statements, etc., submitted for the record by—Continued

Dawson, Hon. William L.—Continued

Letters received by Hon. William L. Dawson from—Continued

Bennett, Hon. Charles E., a Representative in Congress from the State of Florida, March 5, 1959-----	Page 103
Board of trustees, Missoula Electric Cooperative, Inc., Missoula, Mont-----	102
Green, Hon. Edith, a Representative in Congress from the State of Oregon, March 4, 1959-----	103
Metcalf, Hon. Lee, a Representative in Congress from the State of Montana, March 3, 1959-----	101
Stubblefield, Hon. Frank A., a Representative in Congress from the State of Kentucky, March 6, 1959-----	105
Ellis, Clyde T., general manager, National Rural Electric Cooperative Association:	
An analysis of Comptroller General's revised ruling relating to the REA Program, November 15, 1958-----	69
Letter from Hon. Joseph Campbell, Comptroller General of the United States, to the Secretary of Agriculture, July 21, 1958--	53
Letter from H. L. Babcock, manager, Vigilante Electric Cooperative, Inc., Dillon, Mont., to Richard A. Dell, March 2, 1959--	66
Letter from H. W. Wheat, president, Montana State Rural Electric Cooperative Association, Dillon, Mont., to Richard A. Dell, February 28, 1959-----	67
Resolution adopted by the Alaska Rural Electric Cooperative Association-----	66
Resolution adopted by the Minnesota Electric Cooperative-----	66
Resolution adopted by the Ohio Rural Electric Cooperatives, Inc--	67
Resolution adopted by the Tennessee Rural Electric Cooperative Association, Inc-----	67
Resolution adopted by the Virginia Association of Electric Cooperatives-----	67
Resolution adopted by the Wyoming State Rural Electrification Association-----	68
Resolutions adopted by rural electric systems-----	57-65
Resolutions adopted by the National Rural Electric Co-op Association-----	61, 66
Statement-----	48
Johnson, Hon. Lester R., a Representative in Congress from the State of Wisconsin: Statement-----	103
McGovern, Hon. George, a Representative in Congress from the State of South Dakota: Statement-----	109
Metcalf, Hon. Lee, a Representative in Congress from the State of Montana:	
Letters received by Hon. Lee Metcalf from—	
Babcock, H. L., manager, Vigilante Electric Cooperative, Inc., Dillon, Mont., March 3, 1959-----	102
Board of trustees, Missoula Electric Cooperative, Inc., Missoula, Mont-----	102
Jewett, Chas. E., manager, Golden West Electric Corp., Wibaux, Mont., March 2, 1959-----	102
Krueger, Fred, vice president, Flathead Electric Cooperative, Inc., Kalispell, Mont., February 27, 1959-----	101
Vejtsa, John, president, McCone Electric Co-op., Inc., Circle, Mont., March 2, 1959-----	102
Wheat, H. W., president, Montana State Rural Electric Cooperative Association, Dillon, Mont., February 28, 1959-----	102
Morris, Hon. Toby, a Representative in Congress from the State of Oklahoma: Excerpt from the Constitution of the United States, article 1, section 8-----	24
Murray, Hon. James E., a U.S. Senator from the State of Montana:	
Letters received by Senator James E. Murray from—	
Babcock, H. L. manager, Vigilante Electric Cooperative, Inc., Dillon, Mont., March 2, 1959-----	108
Gibson, Gilbert, president, and W. H. Sennett, manager, Park Electric Cooperative, Inc., Livingston, Mont., March 3, 1959-----	109

Letters, statements, etc., submitted for the record by—Continued

Murray, Hon. James E.—Continued

Letters received by Senator James E. Murray from—Continued

Jewett, Charles E., manager, Golden West Electric Co-op,
Wibaux, Mont., March 2, 1959----- Page
108

Vejtasa, John, McCone Electric Co-op, Inc., Circle, Mont.,
March 2, 1959----- 108

Wheat, H. W., president, Montana State Rural Electric
Cooperative Association, Dillon, Mont., February 27,
1959----- 109

Statement----- 107

Scott, Kenneth L., Director of Agricultural Services, Department of
Agriculture:

Excerpt from hearings on H.R. 11762, 85th Congress----- 28

Table 1—Purpose of electric loans----- 31

Table 2—Loans for generation and transmission----- 31

Table 3—Funds advanced to electric borrowers----- 32

Table 4—Financial condition of electric borrowers improves----- 32

Table 5—Payments by electric borrowers to Government increase----- 32

Table 6—Number of electric consumers and miles of line continue
to grow----- 32

Average consumption of power per consumer climbs----- 33

Table 7—Sales of power by borrowers climb----- 33

Table 8—Retail price of power down----- 33

Wholesale cost of power down----- 33

Table 9—Telephone loans made----- 33

Funds advanced to telephone borrowers increase----- 33

Table 10—Payments by telephone borrowers to Government
increase----- 34

Table 11—More rural people getting better telephone service each
year----- 34

Telephone construction, by years----- 34

Shipley, Hon. George E., a Representative in Congress from the State
of Illinois: Statement----- 106

Short, Hon. Don L., a Representative in Congress from the State of
North Dakota:

House Concurrent Resolution "O," by the 36th Legislative
Assembly, State of North Dakota, January 6, 1959----- 112

Letter from Hon. Don L. Short, to Hon. William L. Dawson,
March 18, 1959----- 112

Wolf, Hon. Leonard G., a Representative in Congress from the State
of Iowa:

Excerpt from statement of Senator Hubert H. Humphrey re
S. 144----- 14

Letter from Hon. Leonard G. Wolf, to Hon. William L. Dawson,
March 6, 1959----- 113

**MODIFYING REORGANIZATION PLAN NO. II OF 1939
AND REORGANIZATION PLAN NO. 2 OF 1953
(RURAL ELECTRIFICATION ADMINISTRATION)
(H.R. 1321, H.R. 3029, H.R. 3192, H.R. 4662, H.R. 5746
H.R. 5688, H.R. 5853)**

FRIDAY, MARCH 6, 1959

**HOUSE OF REPRESENTATIVES,
EXECUTIVE AND LEGISLATIVE REORGANIZATION
SUBCOMMITTEE OF THE COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C.**

The subcommittee met at 10 a.m., Hon. William L. Dawson (chairman of the subcommittee) presiding.

Present: Representatives Dawson, Fascell, Smith, Brown, and Barry.

Also present: Elmer W. Henderson, counsel; Phineas Indritz, counsel; and Lawrence Redmond, Clerk.

Chairman DAWSON. The hearing will kindly come to order.

These hearings are being called to consider H.R. 1321, H.R. 3029, H.R. 3192, and H.R. 4662, all bills to amend Reorganization Plan No. 2 of 1953.

(The bills referred to are as follows:)

[H.R. 1321, 86th Cong., 1st sess.]

A BILL To amend Reorganization Plan Numbered 2 of 1953

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of Reorganization Plan Numbered 2 of 1953 shall not hereafter apply to the Rural Electrification Administration, and there are hereby transferred to the Administrator of the Rural Electrification Administration all functions which were transferred from the Administrator to the Secretary of Agriculture by such reorganization plan; and notwithstanding the provisions of section 5 of Reorganization Plan Numbered 2 of 1939, or the provisions of any other law, any action of the Administrator of the Rural Electrification Administration with respect to the approval or denial of loans authorized to be made under the provisions of the Rural Electrification Act of 1936, as amended, shall be the sole responsibility of the Administrator.

[H.R. 3029, 86th Cong., 1st sess.]

A BILL To amend Reorganization Plan Numbered 2 of 1953

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of Reorganization Plan Numbered 2 of 1953 shall not hereafter apply to the Rural Electrification Administration, and there are hereby transferred to the Administrator of the Rural Electrification Administration all functions which were transferred from the Administrator to the Secretary of Agriculture by such reorganization plan;

and notwithstanding the provisions of section 5 of Reorganization Plan Numbered 2 of 1939, or the provisions of any other law, any action of the Administrator of the Rural Electrification Administration with respect to the approval or denial of loans authorized to be made under the provisions of the Rural Electrification Act of 1936, as amended, shall be the sole responsibility of the Administrator.

[H.R. 3192, 86th Cong., 1st sess.]

A BILL To amend Reorganization Plan Numbered 2 of 1953

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of Reorganization Plan Numbered 2 of 1953 shall not hereafter apply to the Rural Electrification Administration, and there are hereby transferred to the Administrator of the Rural Electrification Administration all functions which were transferred from the Administrator to the Secretary of Agriculture by such reorganization plan; and notwithstanding the provisions of any other law, any action of the Administrator of the Rural Electrification Act of 1936, as amended, shall be the sole responsibility of the Administrator.

[H.R. 4662, 86th Cong., 1st sess.]

A BILL To amend Reorganization Plan Numbered 2 of 1953

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of Reorganization Plan Numbered 2 of 1953 shall not hereafter apply to the Rural Electrification Administration, and there are hereby transferred to the Administrator of the Rural Electrification Administration all functions which were transferred from the Administrator to the Secretary of Agriculture by such reorganization plan; and notwithstanding the provisions of section 5 of Reorganization Plan Numbered 2 of 1939, or the provisions of any other law, any action of the Administrator of the Rural Electrification Administration with respect to the approval or denial of loans authorized to be made under the provisions of the Rural Electrification Act of 1936, as amended shall be the sole responsibility of the Administrator.

(The following bills were introduced after the March 6, 1959, hearing:)

[H.R. 5746, 86th Cong., 1st sess.]

A BILL To amend Reorganization Plan Numbered 2 of 1953

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of Reorganization Plan Numbered 2 of 1953 shall not hereafter apply to the Rural Electrification Administration, and there are hereby transferred to the Administrator of the Rural Electrification Administration all functions which were transferred from the Administrator to the Secretary of Agriculture by such reorganization plan; and notwithstanding the provisions of section 5 of Reorganization Plan Numbered 2 of 1939, or the provisions of any other law, any action of the Administrator of the Rural Electrification Administration with respect to the approval or denial of loans authorized to be made under the provisions of the Rural Electrification Act of 1936, as amended, shall be the sole responsibility of the Administrator.

[H.R. 5688, 86th Cong., 1st sess.]

A BILL To modify Reorganization Plan Numbered II of 1939 and Reorganization Plan Numbered 2 of 1953

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the functions and activities of the Rural Electrification Administration and the Administrator of the Rural Electrification Administration which, by Reorganization Plan Numbered II of 1939 and Reorganization Plan Numbered 2 of 1953, were transferred to the Department of Agriculture and to the Secretary of Agriculture are hereby transferred to the Administrator of the Rural Electrification Administration, and shall be

exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture; except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture.

[H.R. 5853, 86th Cong., 1st sess.]

A BILL To modify Reorganization Plan Numbered II of 1939 and Reorganization Plan Numbered 2 of 1953

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the functions and activities of the Rural Electrification Administration and the Administrator of the Rural Electrification Administration which, by Reorganization Plan Numbered II of 1939 and Reorganization Plan Numbered 2 of 1953, were transferred to the Department of Agriculture and to the Secretary of Agriculture are hereby transferred to the Administrator of the Rural Electrification Administration, and shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture; except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture

Chairman DAWSON. The purposes of H.R. 1321 by Congressman Price, H.R. 3029 by Congressman McGovern, and H.R. 4662 by Congressman Wolf, are (1) to nullify the effect of Reorganization Plan No. 2 of 1953 with respect to the Rural Electrification Administration and to restore the relationship between the Rural Electrification Administration and the Secretary of Agriculture to the status quo prior to the enactment of the plan and (2) to give to the Administrator of Rural Electrification Administration the sole responsibility for the approval or denial of loans to be made under the Rural Electrification Act of 1936. The effect of Reorganization Plan No. 2 of 1953 was to transfer to the Secretary of Agriculture all functions then vested in other officers in the Department including the Administrator of the Rural Electrification Administration and authorized him to delegate these functions in such manner as he deemed appropriate.

The Secretary of Agriculture had already been given direction and supervision over the Rural Electrification Administration by Reorganization Plan 2 of 1939 and would still have such direction and supervision if the Price bill, the McGovern bill, or the Wolf bill were enacted into law. The principal difference in the Secretary's authority would be that he could not delegate or redistribute the functions of the Administrator of the Rural Electrification Administration to other officers or subordinates within the Department of Agriculture, and could not change any action on the approval or denial of loans taken by the Administrator.

H.R. 3192 by Mrs. Pfof, has the same purpose as the others but is broader in that the Administrator of Rural Electrification Administration would have the sole responsibility for any and all of his actions rather than only for the making of loans.

A bill identical with the Price bill was reported by the subcommittee last year, after hearings, to the full committee with the recommendation that it be passed. The full committee approved the recommendation of the subcommittee, ordered the bill to be favorably

reported, but being so near to the end of the session and due to the pressure of time, the bill was not reported.

Copies of the printed hearings held last year and the reports of the Bureau of the Budget and the Department of Agriculture on the pending bills will be found in your folders.

Our first witness will be Congressman Melvin Price, of Illinois.

We are happy to have our distinguished colleague with us to testify on his bill on this matter.

**STATEMENT OF HON. MELVIN PRICE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ILLINOIS**

Mr. PRICE. Thank you, Mr. Chairman.

Mr. Chairman, I am grateful to the committee for providing me the opportunity to appear this morning in support of H.R. 1321, which would amend Reorganization Plan No. 2, of 1953 and also Reorganization Plan No. 2 of 1939.

My statement will be brief, mainly because of the fact that the committee is thoroughly familiar with this matter, having acted on it toward the closing days of the last session of Congress, so the details of it are fresh in the minds of the majority of the committee. The purpose of H.R. 1321 is to return to the Administrator of the Rural Electrification Administration all of the independent authority with respect to the approval or denial of loan authority which he had under provisions of the Rural Electrification Act of 1936, and which he exercised prior to the acceptance of the aforementioned reorganization plans.

I am certain that witnesses who will follow me will present sound argument as to the wisdom of this course of action. I feel that this is a needed move to preserve the vitality and purpose of this very useful agency which has brought light and power to rural America.

It was as an independent agency that REA was created back in 1936. In 1939, the agency was placed in the Department of Agriculture, on the supposition that clearer lines of authority would be established and efficiency improved. It has since become obvious that the lack of independence on the part of the Administrator in certain areas, and particularly in the loan area, could eventually destroy REA, should it become subservient to any administration which had not created it and might be lacking in enthusiasm for it. The fine accomplishment of REA cannot be consolidated by divided and contradictory administration. To solidify the Rural Electrification Administration gains, I urge the approval of H.R. 1321.

Thank you, Mr. Chairman.

Chairman DAWSON. Mr. Fascell.

Mr. FASCELL. I have no questions, Mr. Chairman.

Mr. SMITH. No questions, Mr. Chairman.

Chairman DAWSON. It seems that your statement is unquestioned. I don't know how it will fare later.

Mr. PRICE. Thank you, Mr. Chairman. I hope that would reflect a desire on the part of the committee to act quickly on this matter so that we could consider it in the House as soon as possible.

Chairman DAWSON. Thank you, Mr. Price.

Mr. PRICE. Thank you, sir.

Chairman DAWSON. Mr. Wolf?

Is Mr. Wolf present?

Mr. Hogan?

Mr. William F. Finan, Assistant Director, Bureau of the Budget.

We are indeed happy to see you with us again, Mr. Finan.

**STATEMENT OF WILLIAM F. FINAN, ASSISTANT DIRECTOR,
BUREAU OF THE BUDGET**

Mr. FINAN. Mr. Chairman, I am very happy to be here in response to your recent invitation that the Bureau of the Budget supply a witness to comment on this group of bills involving the Rural Electrification Administration. I do not have a prepared statement. I believe you have received within the last few days the Bureau's report of advice on these several bills. I would like to add a brief comment to what we have already said, and then be available for any questions that the committee may wish to ask.

In addition to the observations contained in the Bureau's letter of the 3d of March regarding these bills, I would like to say first that if it is the intent of this legislation to remove the Rural Electrification Administration from, shall we say, the policy direction and control of the Secretary of Agriculture, we have the most serious doubts that the legislation would in fact accomplish that result, and it could simply bring about a more confused situation than existed prior to the taking effect of Reorganization Plan No. 2, in 1953.

Secondly, if, as it appears, there is a dispute about the policies under which the rural electrification and telephone programs are being administered, that would seem to us to be a matter that would lend itself to legislation that would deal with policy.

This bill has nothing in it that would shed any light on the views of Congress as to the manner in which these programs should be administered, and my final comment is that I seriously doubt that the legislation would have the actual result that is stated in the final phrase. In three of these bills it deals with loan applications and denials, and in one of them it deals with all actions of the Administrator, and that his actions would in fact be his sole responsibility. It is inconceivable to me that this legislation could, for example, remove responsibilities from the President of the United States for the administration of these programs, and frankly, I seriously doubt that that is the intent.

Secondly, it seems inconceivable to me that this legislation could remove the responsibility of the Congress for these programs. And again, I doubt that that is the intent. And yet, the plain wording of these bills is that these matters shall be the sole responsibility of the Rural Electrification Administrator.

That concludes my statement, Mr. Chairman.

Chairman DAWSON. Will you elaborate on the first part of your statement, the first point you have there?

Mr. FINAN. The first point, Mr. Chairman, was that this legislation would not remove the administration of these programs from the, let us say, policy influence of the Secretary of Agriculture. Under all of the bills, except one, the Secretary of Agriculture would continue, for example, to appoint all of the personnel in this agency. Similarly, the Secretary of Agriculture's influence and responsibility on the

budget for this agency would not be affected. He would have responsibility for all aspects of the administration of the agency, and it is common knowledge to anyone who is familiar with governmental—and for that matter, private administration—that you can exercise a vast degree of policy control through the appointment of personnel and the handling of the budget, for example.

So I would doubt that the results that seem to be sought here would in fact be accomplished by the bill. Now, there is one of these bills, the one that indicates that all matters involving the REA should be the responsibility of the Administrator, H.R. 3192, and I hesitate to make this comment, because I am a layman and not a lawyer, but I would have the most serious doubt as to the constitutionality of H.R. 3192.

To use one illustration, it would apparently have the effect of placing the appointment of personnel in the Rural Electrification Administrator, when you say “all matters.”

Chairman DAWSON. Wasn't that found in them in the beginning, before the Reorganization Act of 1939?

Mr. FINAN. From the time the REA was placed in the Department of Agriculture, it is my understanding that the appointing authority was in fact in the Secretary of Agriculture. You will recall that the Constitution provides for three methods of appointing civilian personnel in the executive branch. You have appointment by the President with confirmation by the Senate. You have appointment by the President alone, and you have appointment by the heads of executive departments.

It is our belief that it is impossible constitutionally to vest appointing authority in the subordinate of the head of a department. There is no provision for that in the Constitution. So I would say H.R. 3192, in addition to having common defects with the other bills, raises a whole host of additional questions and complications that I would think the committee would want to consider.

Mr. FASCELL. Mr. Chairman.

Chairman DAWSON. Mr. Fascell.

Mr. FASCELL. Would this constitutional problem be solved if you removed REA from the Department of Agriculture and set it up as an independent agency?

Mr. FINAN. Correct, and the first point that I made about the remaining confusion as to the responsibility between the Administrator and the Secretary of Agriculture would also be removed.

Mr. FASCELL. Yes.

Mr. FINAN. In other words, the simple device of taking this agency out of the Department of Agriculture would wash out a number of the complications that I have alluded to.

Mr. FASCELL. You raise a point as a matter of law that concerned me in the legislation. That is whether the language actually accomplishes the job. I am not quite clear myself that you can, by the language of any one of these bills, actually promote the transfer that seeks to be promoted. I think it takes other language to do it.

Chairman DAWSON. Mr. Brown.

Mr. BROWN. I am sorry I am late.

Mr. FASCELL. For example, in the language in H.R. 1321, which says that all functions which were transferred are now transferred

back again, the Secretary of Agriculture may have already delegated all of those functions to the Administrator anyway, so this wouldn't accomplish anything.

Mr. FINAN. It is my understanding that he has.

Mr. FASCELL. And if he has, then this just would seem to write into the statute what he has already done. It doesn't take anything away from him, as I see it.

Mr. FINAN. Well, it would freeze it in the statute, of course, there is no doubt about that. But the aspect of this that I find particularly troublesome is we are by no means sure of exactly what this would in fact freeze. It would create a situation of confusion that we think would not be desirable from the point of view of the Congress, as well as the executive branch.

Mr. FASCELL. If you admit that the functions and the powers would be frozen by the statute even though they have been delegated by the Secretary to the Administrator, what is the language specifically in the bill that would create the confusion, or seems to create doubt as to exactly what is frozen?

Mr. FINAN. Well, there are two aspects of this, Mr. FASCELL. The first is, you may recall, that I testified on plan 2 in 1953, and the testimony at that time of both the Bureau of the Budget and the Department of Agriculture was not that the Secretary of Agriculture had no responsibility and no authority with respect to this agency, or to these programs, but rather that his responsibility and authority were unclear. Therefore, point 1 would be that this would restore us to whatever unsatisfactory situation existed prior to the taking effect of plan 2 in 1953. That is point 1.

Point 2 is the difficulty of taking the plain language of the final phrase of these bills, "shall be the sole responsibility of the Administrator."

Mr. FASCELL. With respect to loans, that is.

Mr. FINAN. Well, in the case of three of them, and on one it is everything, but regardless of whether you limit it or do not, the fact of the matter is that these matters would not be the sole responsibility of the Administrator.

Mr. FASCELL. As a matter of law, you mean?

Mr. FINAN. And as a matter of practice, and the matter of the results that would be achieved, so that if some difficulty came up with respect to the administration of this program and somebody turned to the Secretary of Agriculture, he would say "Read the act. It is not my responsibility."

If somebody turned to the President, he could say "Read the act, it is not my responsibility."

If somebody turned to the Congress, this committee, they could say "Read the act, we have no responsibility in that."

As a matter of fact, none of those answers would be an honest, factual answer, because under this legislation the Secretary of Agriculture would still have some responsibility, and it is perfectly clear to me that the President's responsibility would be undiminished, and so would that of the Congress.

Mr. FASCELL. I understand that, so now we are engaged in semantics and the proper definition of the words "sole responsibility" as related to what the Act tries to do.

Mr. FINAN. Yes, sir; if what this committee wants to do is remove this agency and these programs from the control and accountability of the Secretary of Agriculture, there is a simple way to do it. You transfer this agency out of the Department of Agriculture and you make it an independent agency.

On the other hand, if—as seems to me to be the case—there is some controversy here about the policies as applied to the laws that are being administered here, then the other avenue is to write new law, specific law, and clear up these policy problems, whatever they may be.

Mr. FASCELL. And if the problem is only that you want your Administrator to have the final authority on whether a loan is granted or denied, you don't think you can write that into the statute?

Mr. FINAN. I don't, no, sir, not and leave this agency in the Department of Agriculture.

Chairman DAWSON. Did you have that power before the act of 1953?

Mr. FINAN. No, sir.

Mr. HENDERSON. You are contending that there would be confusion in the second part of this bill dealing with the making or not making of loans?

Mr. FINAN. Yes, I am.

Mr. HENDERSON. I can see your first point about the part of general supervision, but how could there be any confusion about the matter of sole responsibility in the making of loans?

Mr. FINAN. Because this would appear to write out the responsibilities of the President and the Congress, and we cannot do that.

Mr. HENDERSON. But haven't those responsibilities at one time or another been written out when the matter of making the loans was delegated to the Administrator of REA by the Congress?

Mr. FINAN. Not to my knowledge.

Mr. HENDERSON. When the REA was first set up?

Mr. FINAN. Of course, the Secretary of Agriculture had no responsibility.

Mr. BROWN. It was independent then?

Mr. FINAN. Yes.

Mr. BROWN. An independent agency.

Chairman DAWSON. The Constitution provides for the appointment of officers of the United States, persons or otherwise appointed are simply employees. Why do you say this would change the constitutional provision for the appointment of officers or employees?

Mr. FINAN. In this case, Mr. Chairman, I am only referring to H.R. 3192, which says "any action of the Administrator." This does raise questions about whether this would have the effect of transferring the appointing authority of the personnel in REA to the Administrator, and I say that if that is the intent, it cannot be done and still leave the REA a part of the Department of Agriculture.

Mr. HENDERSON. Couldn't it be in there for, say, housekeeping purposes, such as is the Farm Credit Administration at the present time?

Mr. FINAN. The Farm Credit Administration is a wholly independent agency.

Mr. HENDERSON. Such as it was at one time for housekeeping purposes.

Mr. FINAN. The Farm Credit Administration is not in the Department of Agriculture for housekeeping purposes. It is wholly inde-

pendent. The only connection between the Secretary of Agriculture and the Farm Credit Administration is the Secretary appoints one member of the Board of Directors of the Farm Credit Administration.

Mr. HENDERSON. At one time was the Farm Credit Administration within the Department of Agriculture?

Mr. FINAN. Oh, yes, wholly.

Mr. HENDERSON. Was that under supervision or just for housekeeping purposes?

Mr. FINAN. No, sir. The Secretary had full control over the Farm Credit Administration.

Mr. HENDERSON. To put an agency in the Department of Agriculture for purely housekeeping purposes, would that not lend itself to effective administration without creating the type of confusion that you refer to?

Mr. FINAN. Well, Mr. Henderson, we have had a number of cases where minor agencies have been placed within—by “minor” I mean small, not unimportant—have been placed within other agencies for housekeeping purposes, but you understand all this means is they do clerical work for them and they keep their accounts and they issue supplies to them and bill them for them, and it merely makes it unnecessary for them to build up their own separate administrative and housekeeping organization. Presumably, a few of the taxpayers’ dollars are saved by an arrangement of that kind. But insofar as the desirability of that arrangement versus complete independence, it all gets down to the question of whether somebody is concerned that even that much responsibility for the agency will enable the other agency to get into policy and have some impact on it.

Mr. HENDERSON. Well, on the question of the loans, you recall last year that there was considerable discussion in the subcommittee about the matter of policy, and I think that the subcommittee seemed to feel that there was no objection on their part to the REA remaining under the supervision and control—such as it was of the Secretary of Agriculture, as was provided by the 1939 act, but it wanted to get primarily to the question of the loans, and you contend that there would still be confusion and conflict of authority if the provision on loans remained as it is in the bill.

Mr. FINAN. I don’t have any doubt of that, Mr. Henderson.

Chairman DAWSON. Mr. Brown.

Mr. BROWN. I have listened with interest to the testimony which I was able to hear—I arrived late and, I apologize to everyone for that. I was held up.

I rather agree, Mr. Chairman, with the statement made by the gentleman that perhaps if you want to accomplish all of the things proposed in these bills, you are going to have to make REA an independent agency, if Congress wants to do that. I certainly also agree with the statement that was made that this ties in with both presidential reorganization plans, and not just into the 1953 plan, because I think the 1939 plan, which was submitted by President Roosevelt, was the basic one which really changed the REA, Rural Electrification Administration, from being an independent agency into an agency which is a part of the Department of Agriculture.

So, I think this point is very worthwhile; that is, the discussion of it. I wanted to be here when we started this morning, Mr. Chairman—

Chairman DAWSON. There was only one other witness.

Mr. BROWN. To suggest that inasmuch as we held rather lengthy and extensive hearings on this matter during the heat of the summer last year—most of us were worn out and all that, and we built up quite a record of hearings and obtained a great deal of information, or misinformation, I am not sure which, that I doubt that it is necessary to have long hearings on this legislation.

I am also aware of the makeup of the present Congress, and it may be of little use to argue certain points, because I am realistic enough that I can at least project into the future my contemplation of what will happen on a great many pieces of legislation in this Congress. I have been around here a long while. So I hope that we won't drag out these hearings.

That is all I have at the moment.

Chairman DAWSON. Mr. Smith.

Mr. SMITH. I wonder if I could get clear in my mind the two points that I believe the gentleman makes. The first, as I understand it, is that if the intent of this legislation is, at least partly, to prevent the REA from being ravaged by an unfriendly Secretary of Agriculture—and obviously that is one of the intents, one of the purposes—than it would have to be an independent agency; is that your view?

Mr. FINAN. I didn't quite put it that way. I said that if that is the intent, this bill doesn't do it.

Mr. SMITH. Well, if that is the intent, what would you do, then, if you didn't make them an independent agency?

Mr. FINAN. Frankly, I don't know of anything short of making it an independent agency.

Mr. SMITH. If you did make it an independent agency, the Administrator of the independent agency employs the personnel; is that right?

Mr. FINAN. Yes, sir.

Mr. SMITH. Then that is why you say, in addition to your other reasons, if you recall what has happened in the past few years, you can certainly exert a lot of policy over an agency merely by employing the personnel, so then your whole summation is that you have got to have an independent agency if you want to prevent policy being changed from what the intent of the Congress was when they wrote the law.

Mr. BROWN. Will the gentleman yield at that point?

Mr. SMITH. Yes.

Mr. BROWN. Again referring back to lengthy service, I have known a great many independent agencies, and have investigated a number of them, and was one of the original supporters of the idea of concentrating as many of these independent agencies, under a line of command in various departments of Government so they wouldn't all be under the President, but I have never known an independent agency of the Government, in my lifetime, or in my study of American Government, that was actually independent. Somebody always appoints their heads and somebody has influence as to who should be appointed, to the minor positions even, and certainly the members of the Board, or the Administrator, or what not, are appointed by the President, usually. We don't select them up here, and they are not elected by the vote of the people, so you have the same practice under either

system, the present system, or the other one. You do have some over-all control.

Mr. SMITH. Well, there certainly must be a lot of truth in what you say, insofar as the appointment of the Administrator would be concerned, but at least if it was an independent agency, after the Administrator had been appointed and approved, he wouldn't have to run to someone that is subject to political pressure each time a loan was to be made in order to get approval of it.

Mr. BROWN. No, and he doesn't have to do that now. In fact, the testimony in the past doesn't show there has ever been any interference with any loans made; that is, by the Secretary. But I imagine if the White House, whether it be a Democrat or a Republican incumbent, should show some interest in a matter before that agency, if it was independent, whether it be in the appointment of Jim Jones, or something minor, the Administrator, whose power had been given to him by Presidential appointment, would at least listen to the President or the White House.

That has always happened, and I presume always will happen in a Government of our type.

Mr. SMITH. In other words, the gentleman says if you want to be sure you are going to have friendly administration of the act, you have to have not only a friendly Secretary of Agriculture, but also a friendly President; that is about what it gets down to.

Mr. BROWN. No, I don't say that, because the very reason for these reorganization plans was to take away from the President the responsibility of passing upon policy matters that would be brought to him by all of these various—and there were a multitude of them—independent agencies. The Congress, in its wisdom, saw fit to place a great many of these independent agencies under the supervision, the jurisdiction of various Cabinet members, so that the President wouldn't be bothered.

At one time I think the President had 107, or something like that, independent agencies under him, and he was the only man above the Administrator or the Board, or whatever it might be called. He just could not give supervision to all of them, and he could not look over their decisions or their ideas or policies, and so forth and so on, as many people in this country would ask him to do, whether they were liberal or conservative in viewpoint. The whole thought behind the consolidation of these different independent agencies and boards of the Presidential Office into the departmental offices was for that purpose, to take a part of the load off of the President. And incidentally, such actions, because there were a series of them, were not only recommended by the Hoover Commission, after 1939, but have been recommended by every President, regardless of his political affiliation, for a great many years, because the Presidential load has become almost unbearable. No man can take it.

Mr. SMITH. But as I understand it, Mr. Chairman, in this case it is not only the President has so much to do he can't look over each loan, but in this case it is also the Secretary of Agriculture had so much to do that he relegated it to one Kenneth Scott, who was lower in status than the Administrator.

Mr. BROWN. I don't know whether he is lower in status or not, but he had the right, of course, to designate anybody to represent him.

and to bring to him views and reports, I suppose, just as every President has had the right to delegate to some of his assistants, some employee, to check into the situation. But, in the end, the judgment has to be passed by the man on top.

Mr. SMITH. That is all I have.

Chairman DAWSON. Mr. Barry.

Mr. BARRY. I don't have any particular comments, except to say that I would hate to have to run a business where the Administrator would have to perform according to the intent of this act, if I didn't have control of the handling of my own budget. I would think, eventually, even though the intent of this act might be to give control, it would not do that, and I concur that we would be adding confusion to this by the language that has been described in the bills before us today.

Mr. FASCELL. Mr. Chairman.

Chairman DAWSON. Mr. Fascell.

Mr. FASCELL. I know plenty of lending institutions which have a loan committee which has complete authorization up to X amount, and they don't have to check with anybody on the approval or disapproval of loans. I would look on this as the same situation.

Getting back to Mr. Finan's theory of the constitutionality of attempting to do what we are trying to do with this legislation, I can't see any difference, actually, if you make it an independent agency. You still have the same constitutional objection that you raised, so if one is unconstitutional, they all are.

Mr. FINAN. I am afraid I don't follow you on that point.

Mr. FASCELL. Well, you maintain that you have to have a line of command and responsibility by the Constitution, as far as employees are concerned?

Mr. FINAN. No, sir. Let me try to make myself as precise as I can. My comment in this regard only ran to H.R. 3192, not to the other bill.

Mr. FASCELL. Let's change it around now and confine it to the language in H.R. 1321, and dealing only with the idea of giving the Administrator the sole authority on the granting or the denial of the loan. Is that unconstitutional, in your opinion?

Mr. FINAN. I don't see any constitutional problem with it. I say, as stated in this bill, it is a manifest impossibility, as stated in terms of sole responsibility.

Mr. FASCELL. We agreed that maybe that language would be subject to definition and might be clarified so that there would be no mistake about what is attempted to be done by the legislation, but we are agreed that there is no constitutional problem with respect to giving the Administrator that authority?

Mr. FINAN. I was talking strictly to H.R. 3192, but I would still not withdraw anything that I said about leaving an unsatisfactory divided responsibility and confusion as to authority.

Mr. FASCELL. All right, sir. Now, if it were possible to get language which would not have divided responsibility and would eliminate confusion and conflict, then what would your opinion be?

Mr. FINAN. I am afraid I will have to ask you to let me see the bill. Mr. Fascell, I would like to take this opportunity, though, to clear up any possible misunderstanding here. I am not recommend-

ing independent status for the REA. Since I have no prepared statement, I was afraid I might have left that misimpression.

Mr. FASCELL. No, we appreciate your comments, because actually you have injected an important point into the discussion.

Mr. FINAN. I was trying to be helpful.

Chairman DAWSON. Then it is impossible to do what we are trying to do.

Mr. FASCELL. No, he didn't say that; he didn't say that at all.

Mr. FINAN. I say if you see an organizational problem here, there is a solution to it which is not involved in any of these bills. If you see a policy problem here, it means new legislation that doesn't necessarily have to involve organization, and, of course, that is not in either of these bills, either.

Mr. FASCELL. I agree with that, and, of course, I don't understand that that is the attempt of any of this legislation to do either one of those two things.

Chairman DAWSON. Any other questions?

Mr. BROWN. I agree with your point and with both of you.

Mr. INDRITZ. Mr. Finan, you mentioned that it would be either improper or invalid to have an agency within the Department of Agriculture which is not responsible to the head of the agency. I wonder if you are aware of a somewhat analagous situation concerning the Director of the Bureau of Mines. He has authority to issue orders withdrawing men from danger areas, and is not subject to the control of the Secretary of the Interior with regard to those orders.

The authority goes directly to the Director of the Bureau of Mines, and if any question is raised or appeal taken, it goes to an independent board.

Mr. FINAN. The Federal Coal Mine Safety Board of Review.

Mr. INDRITZ. Yes. There Congress apparently specifically provided legislation which would prevent the Secretary of the Interior from interfering with the functions of the Director in dealing with the withdrawal of men from dangerous areas in coal mines.

Now, the intent of this bill is apparently to provide that the Administrator of the Rural Electrification Administration would have authority with respect to the approval and disapproval of loans without being subject to the authority of the Secretary of Agriculture.

Now, aren't the two comparable?

Mr. FINAN. You see, you are supplying me with an interpretation of what the intent of this bill was. I am saying if you take the bill as written, the bill purports to describe a situation which will in fact not exist, and that is the sole—I assume meaning the total, complete, and unadulterated—responsibility, for the approval or denial of loans will rest with the Administrator.

I say this bill, if it went on the books, would not accomplish that point.

Chairman DAWSON. Your quarrel, then, is with the word "sole"?

Mr. FINAN. Well, it is a little broader than that, Mr. Chairman. There is an apparent intent here to fix responsibility on the Administrator, but then there are provisions in this bill which bring about a situation where, in my opinion, he cannot fairly be held responsible. He will still be sharing responsibility with the Secretary of Agriculture and the President in the executive branch, and in the appropri-

ate way with the legislative branch of the Congress. There is no escaping that.

Chairman DAWSON. Any other questions?

Thank you very much, Mr. Finan.

I don't know whether we are up in the air or whether we are down.

Congressman WOLF. We are very happy to have you with us, Mr. Wolf. You may proceed.

STATEMENT OF HON. LEONARD WOLF, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. WOLF. Thank you, Mr. Chairman. May I say that I am happy to be here to have this opportunity. I have been receiving a considerable amount of mail from my folks back home telling me to push for this proposal. A considerable amount came before the election and a very great deal since, so I have a prepared statement I would like to present to the committee at this time.

Mr. Chairman and members of the subcommittee, I appreciate the opportunity of meeting with the subcommittee to state that I give my unqualified support to the Price bill, H.R. 1321. As the committee knows, I have felt so strongly the need for restoring to the Administrator of REA the authority that was taken from him and placed in the hands of the Secretary of Agriculture, that on February 17, 1959, I introduced a bill, H.R. 4662, which is identical to the Humphrey bill, S. 144, and the Price bill, which the subcommittee is considering today, I understand.

At the time I introduced my bill, I expressed my wholehearted support of the aforementioned bills.

The following quotation from Senator Humphrey's statement at the time he introduced his bill at the beginning of this session of Congress appeals to my sense of moderation, and I would like to read this quote:

This bill is designed to restore the full loanmaking authority of the REA Administrator. It makes sure that the Administrator, and he alone, has final authority for making or rejecting an individual loan. The bill does not take REA out of the Department of Agriculture. It does not make REA an independent agency. The Department of Agriculture still has full policy control over REA, but not over individual loans.

That is his quotation.

The bill before the committee has the same built-in spirit of moderation. It does not contain elements which could have a demoralizing effect on the well-trained and technically competent staff that has for so long and so effectively carried out the congressional mandate found in the Rural Electrification Act of 1936, as amended.

I favor the Price bill because it does not propose to set up another independent agency of Government which would only add to the multiplicity of Federal agencies that has mushroomed over the years. Besides avoiding the costs of organizing a new agency, the retention of REA in the Department of Agriculture has, it seems to me, another distinct advantage. I refer to the advantage that comes from continuing the relationship that has existed for about 20 years between REA, as part of the Department of Agriculture, and the committees that it has worked with in the House and Senate. It is my understanding that this cooperation has been of the highest order.

The committees understand not only the economic philosophy that runs through the REA, but they understand and are in sympathy with the social aspects of the program which makes it a program of service to people, and not just another power program with emphasis on kilowatts and profit. This is not to say that other committees of Congress would be less understanding or fair in their dealings with the rural electric program if it were reestablished as an independent agency. My point is that I believe the present arrangement that exists between the REA and the Agriculture Committees and Subcommittees is functioning effectively, and nothing would be gained by a change.

There is in fact another advantage that accrues to the REA because it is a part of the Department of Agriculture. The Rural Electrification Administration program is and will remain basically an agricultural program. The liaison activities that exist between REA and the other offices and services of the Department of Agriculture, if continued, would facilitate the maintenance of good understanding throughout the Department on all Government programs that are directly concerned with rural people.

I am convinced that REA should remain in the Department of Agriculture, but I am more firmly convinced that it cannot function effectively until the authority that was delivered from the Administrator to the Secretary of Agriculture has been restored to him.

The district in northern Iowa that I represent is an important agricultural area. The rural electrification program means a lot to all of the people in that district. They are greatly concerned about any changes in the program which threatened to nullify the gains that they have achieved through cooperation.

I might say, Mr. Chairman, that immediately after the election, the leaders in all of the REA co-ops in my district called me into a meeting and they all came to discuss this problem with me in considerable detail. Most folks in my district don't attempt to keep informed about all of the administrative arrangements in Washington, but they do know that Secretary Benson and others high in his administration have been advocating changes in the method of financing REA and, of course, the move to raise the interest rates on REA loans has not escaped their attention.

I feel that it is my responsibility as the Representative of the people of my district to do all in my power to safeguard their interests. In my opinion, the downgrading of the Rural Electrification Administration that resulted from the implementation of Reorganization Plan No. 2 does cast a shadow over the future of the program.

It seems to me that the greatest danger lies in the fact that the loan approval authority of major loans is vested in an official who is subject to political pressures and biases. Under the Reorganization Plan No. 2, the REA loses its identity and becomes just another one of the many departments within the Department of Agriculture. When the responsibility for REA policies are diffused throughout a number of offices in the Department, the historically intended purpose of keeping the REA as an important segment of our farm policy is defeated. I believe that the best interests of our rural people have been jeopardized long enough under the present arrangement. The power should be returned to the Administrator who is charged with carry-

ing out the wishes of the Congress, as expressed in the Rural Electrification Act of 1936, as amended.

For these reasons, I urge the subcommittee to report out the Price bill, H.R. 1321, so that we may vote its passage.

Thank you, Mr. Chairman.

Chairman DAWSON. Mr. Fascell.

Mr. FASCELL. No questions, Mr. Chairman.

Chairman DAWSON. Mr. Brown.

Mr. BROWN. The only question I have is whether or not the gentleman knows of any case where the Secretary of Agriculture has turned down or rejected any loan recommended by the Administrator.

Mr. WOLF. How soon will you make the decision on this?

Chairman DAWSON. It won't be today.

Mr. WOLF. I will gather that information and submit it to the committee to be a part of my report.

Mr. BROWN. Very well. I would like to have it authenticated and documented. There has been no testimony on that so far.

Mr. WOLF. I will get it back to your subcommittee this afternoon.

Chairman DAWSON. Do you have a question, Congressman?

Mr. SMITH. No; I don't.

Chairman DAWSON. Do you have a question, Mr. Barry?

Mr. BARRY. No, sir; I don't.

Chairman DAWSON. Thank you very much. We appreciate your testimony, Congressman.

Next will be the Honorable Gracie Pfoost.

STATEMENT OF HON. GRACIE PFOST, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mrs. PFOST. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, I want to take this opportunity to express my appreciation to you for your promptness in taking this legislation up at such an early stage in the session. I introduced a bill No. 3192, on January 22, 1959, identical in principle to a number of other bills before you. Needless to say I am hopeful that you will take favorable action soon so we may be able to clear up a problem that exists in the minds of the people in our area with regard to where the REA loan financing is headed.

I should like to take just a very few brief moments to call attention to what the REA has meant to my own State of Idaho. As you know, the Rural Electrification Act was adopted in 1936, and the extension of light and powerlines to farmers in Idaho has progressed rapidly since that time. For example, in early 1935 only 29.8 percent of all farms in the State had control station electric service, but by 1950 more than 91 percent had such service, and last year the percentage stood at 97.1 percent. This phenomenal growth was due in great part to REA.

Mr. BROWN. Would you yield right there?

Mrs. PFOST. Yes.

Mr. BROWN. I have listened with interest because I have long been a supporter of REA development. I think if the gentlewoman will investigate, or check, deeply, she will find in the past 6 years there has

been approximately the same, or perhaps a little bit more, in the way of Federal funds furnished for the development of REA than in the first 17 years of its life.

Mrs. FOST. Well, I appreciate that, Mr. Brown, and the answer is that in 1953 this Administration took over following 20 productive Democratic years and the coffers were full of money. There can be growth when you have money to spend.

As you know, REA has been a program that has dramatically improved the level of living of farmers and ranchers throughout not only Idaho, but the country as a whole. Rural people in my district and elsewhere in the State consider the rural electrification program a creature of their own making. They should consider it as their own because so many of them have joined the electric cooperatives. They have served on their boards and helped in other ways to make it the success that it is today.

My people in Idaho take pride in REA's accomplishments, and have approved most of the policies that have emanated from Washington, and I share in their pride. But I share in their concern also when conditions arise which threaten to endanger the future of the REA program.

The Reorganization Plan No. 2 of 1953, as it is being applied to REA by the Secretary of Agriculture, in my opinion, poses a threat. Vital decisions regarding REA loans, the only real purpose for the existence of REA, incidentally, are not the sole responsibility of the Administrator. He no longer can judge an important loan application on its merits and make the loan himself, as I feel it should be made. He must now check with the Secretary of Agriculture, who is a political appointee, and while I know of no abuses yet under this system, it is a change that could threaten the work of the REA.

It removes the responsibility from those who are qualified by training and experience and places it in the hands of those who are concerned with REA loans as only a part of their multiple responsibilities, I feel, Mr. Chairman, that we cannot take a chance on the final determination for REA loans to be made by someone who may not be in sympathy with the purposes of the REA as originally visualized by the Congress.

Now, recent statements by Secretary Benson, in which he advocated raising interest rates on REA loans and private financing of REA's future loan requirements is viewed by my constituents as evidence that Secretary Benson doesn't fully understand the problems of rural electrification or have a philosophy of public affairs that augurs well for our rural people. And for these reasons I, of course, am very hopeful that this subcommittee will recommend one of the bills under consideration.

Chairman DAWSON. Your bill differs slightly from the Price bill. Would you settle for the Price bill?

Mrs. FOST. Yes, Mr. Chairman. I think the important issue before us is to allow the Administrator to proceed without the additional delay of taking matters up with another individual in another department. Any time this happens it slows down the procedures.

We all experience that in handling our own offices.

Chairman DAWSON. Mr. Fascell.

Mr. FASCELL. I have no questions, Mr. Chairman. That was the only question I had in mind, myself, since her intent obviously deals with loans specifically.

Mrs. FROST. And I might add, even though this legislation doesn't happen to go to that particular point, I am specifically interested in maintaining a sufficiently low interest rate so that the growth in building electric lines in the rural areas will continue. As you mentioned, Mr. Brown, a great deal of funds have been made available for REA loans, and I for one feel it has been one of the greatest blessings that has happened to rural America.

Mr. BROWN. Well, of course, the able legislator that you are, I am sure that you are aware of the fact that this legislation has nothing whatever to do with the interest rates on REA loans. That is an entirely different problem.

Mrs. FROST. The gentleman is 100 percent correct, and I prefaced my remarks with the fact that though this legislation doesn't go to that—

Mr. BROWN. No, but I have noticed that it has been mentioned a great deal here and discussed with a great deal of fervor.

Mr. FASCELL. Well, able legislator that she is, she took a good opportunity to get a plug in.

Mr. BROWN. Although, actually contrary to the rules, we are supposed to speak to the subject, and there might have been a point of order made against it. Let me ask you just one question, if I may.

I noticed that you referred to political appointees passing on this. How have the different Administrators of the REA been selected in the past, while it was an independent agency; how did the man get his position?

Mrs. FROST. Of course, the gentleman is referring to exactly what the gentlewoman has mentioned, the fact that they are appointees. However, the thing that I am trying to say—

Mr. BROWN. Wait a minute, was it a political appointment, or was he elected by the people, or by the members of the co-op or what?

Mrs. FROST. He was a political appointee.

Mr. BROWN. Well, he was a political appointee, the same as the people in the Department of Agriculture that you referred to are political appointees?

Mrs. FROST. Yes.

Mr. BROWN. So what is the difference?

Mrs. FROST. My feeling is that the Administrator deals solely with REA problems, and that is his sole responsibility. He is appointed to deal with REA loans and the REA program as a whole. Now, the difference that I made between the two was the fact that you come along with still a different individual whose mind is busy with a multitude of other farm programs, which as the gentleman well knows, are quite prevalent today, and his interests are scattered over so many areas.

Mr. BROWN. I understand your point.

Mrs. FROST. It seems to me by the time the Administrator takes it to an individual in the Agriculture Department, who is busy with multitudinous other duties the loan program may get shuffled to one side while some of the larger farm programs and problems are taken care of.

Mr. BROWN. Of course, there is no evidence that such has ever been done. But I am intrigued and entranced by the lady's reasoning and her viewpoint on this thing. Originally, when it was an independent agency, the President appointed this Administrator of REA, didn't he?

Mrs. PFOST. Right.

Mr. BROWN. Now, did you ever know of any President, outside of the present one, of course, that was not a politician and wasn't subject to political influence? I sometimes wish my President were a little more political.

Mr. SMITH. Will the gentleman yield on that?

Mr. BROWN. Well, she has yielded to me.

Mrs. PFOST. I will yield to the gentleman to answer it.

Mr. BROWN. So there is really no difference, as far as the political aspects, regardless of who has the responsibility?

Mrs. PFOST. Well, I think there is a difference. Any time you draw in another individual from the Department and they too must pass upon this question in addition to the REA Administrator, then you are getting into a more lengthily drawn-out affair.

Mr. BROWN. I think that is right. I know the lady is very practical in politics or she wouldn't be here, and she is very able in her discussion, but don't you think, back in the days when this independent office of REA, along with a multitude of independent offices, which came under the President, that the President in that day would say—let's take a Democrat—to John Steelman, or somebody else down there: "Now, you take a look at this thing. I will have them tell you about what they are doing down there in such and such an independent agency, and if you don't think it is in line with your policies and our beliefs here at the White House level, you come tell me, and then I will speak to the man in charge, the Director, or the Administrator."

Now that happens regardless of where you are or what it is; isn't that true?

Mrs. PFOST. That may very well be. Certainly the gentleman is partially correct, and may be wholly so, with regard to his—

Mr. BROWN. Now doesn't that happen all of the time?

Mrs. PFOST. I haven't been down to the White House. Your President hasn't invited me down.

Mr. BROWN. You may have the opportunity to go before too long.

Mrs. PFOST. I am sorry to say I didn't have the privilege of serving in Congress under the great Presidents, Mr. Truman and Mr. Roosevelt, but let me say this:

I was so glad to have the gentleman [Mr. Brown] bring up the fact that there has been a great deal of money made available under the REA program in recent years. I can well remember when I was a youngster 12 year old in Idaho—

Mr. BROWN. Well, that wasn't long ago, I can realize.

Mrs. PFOST. When my father wanted to bring a powerline less than a half mile to our home. No REA existed at that time and the power company wanted \$2,000 to bring it a little over a quarter of a mile. The gentleman remembers corollary circumstances, I am sure.

Mr. BROWN. I had similar experiences.

Mrs. PFOST. All right, we came along with 20 productive Democratic years and put a lot of dollars into people's pockets so they could pay

their taxes and there was money for REA loans to construct lines out into the rural areas, and, thank goodness, today 97 percent of my Idaho people have refrigerators, and washing machines and they can have——

Mr. BROWN. As I said earlier, I have been for REA, too, because I have had the same problem. I am much older than you, and I wasn't a child when it happened. I had to pay the bill myself. But I remember during those productive years the burden was shifted from the individual over to the Federal Government, and I also recall that in these years that we have had REA, some 23 years, that there was as much or more Federal funds made available to help expand and expedite this program in the last 6 years as there was in the first 17 years.

Mrs. PFOST. Exactly the point the gentlewoman was making.

Mr. BROWN. So I am afraid that your great friend you refer to, Mr. Roosevelt, was holding out on you a bit, and the Republicans have been more helpful. But as all women do, even my wife, you kind of skirt around the real subject, and the subject is, and the question is, Whether or not under either system there isn't some political control, and how you can get away from it under our system of government.

Mrs. PFOST. The gentleman is right, both parties exert political control. However, in view of the last statement the gentleman has made, you will recall that when the Democrats took over back in the thirties, they didn't have the dollars to spread around that the Republicans found in the Treasury when they took over in 1953.

Mr. BROWN. The lady is correct, but I remember how the printing presses rolled, and how the money was poured out of the Federal Treasury at the expense of the taxpayers. I know, too, what a great burden of the debt we have, and how high taxes are; for you see, I am older than the lady and can think back further, and have a more vivid and clear memory of what went on in those years than you do, because you were a mere child when Mr. Roosevelt was President.

Mrs. PFOST. I thank the gentleman very much, but I haven't yet forgotten the little \$2½ grocery slips that we gave out as direct charity trying to take care of the people who migrated west from the dust-bowl areas of Nebraska and Kansas. And that \$2.50 had to last them a whole week, whether their family was hungry or not, and I haven't forgotten the deeds that the county took upon the farms in our rich Canyon County, though we offered for sale over 800 separate pieces of property over a 2- or 3-day auction period only some 20 people had the money to buy them.

Mr. BROWN. You should be very grateful to the people of Ohio that I represent, because we furnished much of the money that you received.

Mrs. PFOST. I am sure much of this should not go on the record, Mr. Chairman, but the gentleman led me into it.

Mr. BROWN. Well, the gentlewoman, like all women, didn't answer the question.

Mr. SMITH. The question of the political pressures, and so forth, on whoever is making the loan, has the responsibility for the loan, it was my understanding—and correct me if I am wrong—it was my understanding that there is a difference here because the Admin-

istrator was subject to approval by the Senate, but as I understand it, the reorganization here permits the Secretary of Agriculture to designate somebody who is not subject to approval by the Senate.

Mr. BROWN. But the Secretary of Agriculture is subject to the approval of the Senate.

Mr. SMITH. But is he the one who in the end must approve?

Mr. BROWN. He is the one responsible, just as you are the one responsible when your secretary signs and sends out a letter. Certainly, you delegate certain responsibilities. We do it every day, and I am afraid sometimes Congress delegates too many of its responsibilities.

Chairman DAWSON. Did that answer your question?

Mr. BARRY, do you have a question?

Mr. BARRY. I just wanted to ask the gentlewoman if she thought it would make any appreciable difference if there were a group asking for something from the REA and the REA Administrator was disposed to grant whatever was being asked, and at the same time within the Department there was an influence opposed to it. Now, if under the same set of conditions the Administrator was reporting to the White House directly, to the assistant to the President, which many of the agencies formerly did, and which some still do, if there would be any difference in what would happen by virtue of the fact that people opposed to this policy or this request to the REA would then funnel their opposition to the White House.

Would you then come before Congress and ask for a new law because there was opposition to a policy? Because, as far as I can see thus far, the only testimony offered as a reason for this legislation is that the philosophy of the Secretary of Agriculture differs somewhat from the philosophy of those who are, by and large, wholeheartedly behind the REA, and certainly we shouldn't be in a position of just legislating around an individual's philosophy.

Would you not agree?

Mrs. POST. I should like to say, in answer, that I don't think it is entirely because there may be a different philosophy between the Secretary of Agriculture and the REA Administrator. I simply feel that you are going to expedite the issuance of these loans if you can leave the responsibility resting in the Administrator who has the responsibility of REA problems wholly, rather than to have to scatter your shots, so to speak, into the Agriculture Department, where it will be referred not just to Secretary Benson, who is possibly too busy to be bothered with those details, but to someone he may designate to sit down and talk over and evaluate and go into it with the Administrator, just as many other problems are resolved.

Mr. BARRY. I am certain that the gentlewoman would be aware that if there was any matter at issue within the REA, that there are always two sides to a question, unless it was something that everyone was in complete agreement with. So when you say that the Secretary of Agriculture would not be concerned or bothered with these matters, he wouldn't be, unless it was put upon him, and the opposing forces who didn't want what was being petitioned for would be in touch with the Secretary of Agriculture.

Now, in lieu thereof, if you take this authority away from the Secretary of Agriculture, the same people wanting this are going to

go to the President, and they are going to create, again, another chore for the President of the United States and the presidential staff, which is already so overburdened with world problems of import having to do with our very life and death, that we would be, in a sense, impeding peace, the very thing that we are struggling so hard for by doing this thing that would further increase the burden of the executive department. I don't see how you are going to get away from the fight by taking it out from the Agricultural Department. If I could see that, then I would be amenable to it.

Mrs. FROST. Naturally, there will be those for, and those against, but my bill would leave the responsibility up to the REA Administrator, rather than, as I said earlier, throwing it to someone in the Department of Agriculture, who could bog the issue down and hold it over until people would have to forget about their project.

Mr. BARRY. I would like to agree that there wouldn't be confusion, but I am inclined to think that there would be more confusion. Because here the White House would not have direct knowledge of all of the conditions affecting the REA proposal, whatever it was. They would then have to go to the Secretary of Agriculture anyway and get his views, or someone in the Department, perhaps the same one that this responsibility is now delegated to within the Department.

Then there would have to be reports coming back to the White House, and then the White House in turn would get a hold of the REA Administrator and give their viewpoint on the matter. The REA Administrator, being an appointee of the President, is certainly going to listen to the White House to a certain extent. I don't say he would take it totally, but he is certainly going to listen, so I can't see how it would do anything but add to the confusion of government, rather than to simplify it.

I can't see how it would be possible to think that the REA would be any better off or the Administrator would be more independent than he would under the present situation.

Mrs. FROST. Well, I certainly think if you have an Administrator who is big enough to have the appointment he should be big enough to evaluate the contingencies upon these requests for loans and make a determination as to whether or not the loan should be granted. In my opinion it could expediate many of these loans by resolving them right within the Administrator's own realm.

Mr. BARRY. May I say to the gentlewoman that general business policy with respect to commercial banks throughout the Nation is for a bank to receive application for a loan, but the administrator of that loan seldom has to do with the policy of granting that loan. It goes usually before a loan committee and a loan committee would then have the final say as to whether that loan should be granted, and then it is given back to the administrator. It may happen at the present time in the REA, but certainly if there is a policy committee having to do with the affairs of our Department of Agriculture, I could conceive under the proposal now being presented whereby it might be possible for the loaning officers to be developing in one area where the Secretary of Agriculture's policies would be working toward some other avenue of direction toward agricultural affairs.

It is like not knowing what your left hand is doing, and I feel if the intent here is to strengthen the REA, I don't know that it would,

because you would be getting a greater power than the man you have at the moment that the REA goes to. You would be putting the White House into the act, with all of the power that the White House has.

Mr. FASCELL. Will the gentleman yield at that point?

Mr. BARRY. Yes.

Mr. FASCELL. This thesis is predicated upon the assumption that the President would have the overriding authority to void a loan application.

Mr. BARRY. Not to void it, but to influence it, because you know, as the gentleman from Ohio stated, there is with all political appointees a certain allegiance to the person who appointed them.

Mr. FASCELL. Will the gentleman yield further?

Mr. BARRY. Yes.

Mr. FASCELL. I will agree that you can't take politics out of politics.

Mr. BARRY. We are in accord.

Chairman DAWSON. Any other question?

Thank you very much, Congresswoman. The gentlewoman made a very interesting witness.

Mrs. FROST. Thank you, Mr. Chairman.

Chairman DAWSON. Mr. Morris.

STATEMENT OF HON. TOBY MORRIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. MORRIS. Mr. Chairman and members of the committee; I am most appreciative of this opportunity to express my deep conviction that positive action must be taken without delay to suppress the arbitrary violation of the intent of Congress on the part of the Secretary of Agriculture who has usurped the authority of the Administrator of the Rural Electrification Administration.

H.R. 1321, and other similar bills now under consideration, as I understand it, clearly returns the power to approve loans to the REA Administrator with whom it was always intended to be reposed both by direct legislation in the initial REA bill and later by intent when the Reorganization Act of 1953 was discussed and later approved.

It is quite apparent to me that the REA program is slated for death—by strangulation or otherwise. The Rural Electrification Administration was created as an independent agency of the Government by the Rural Electrification Act of 1936 and was dually sponsored by Republican George Norris and Democrat Sam Rayburn. By law the Administrator was to be nominated by the President for a term of 10 years subject to confirmation by the Senate. The very framework of the original act reflects nonpolitical activity. Yet we have today the Secretary of Agriculture, clearly a political figure, the self-appointed administrator.

Mr. Dave Hamil, the "titular" Administrator of the REA, is a man who is well liked and respected among the cooperatives who once dealt directly with him. He is regarded as a fair man and one well qualified to evaluate the propriety of all applications—regardless of the amount—but he is only "permitted" to pass on loans under \$500,000—something like 20 percent of the volume handled.

Any of 16 to 18 million direct benefactors in America today is justifiably alarmed at the seriousness of this situation. Not only the rural population who are enjoying a "brighter" world but also the indirect benefactors—refrigerator manufacturers, TV repairmen, the farm implement dealers, automobile and truck manufacturers, and a host of other segments of our society and economy who have benefited directly and indirectly from this great program. If the farmer, and especially the small farmer, is forced to look to Wall Street for financing—and he will be if this malpractice is permitted to continue—he might as well bar the door and seek a new occupation. This is just another contributing factor to the vast movement away from the farm that is plaguing our experts today.

When we speak of Russia's accomplishments in the scientific and military field, all America is alert but is it not just as important to us to maintain the pace in hydroelectric potential? Surely Russia is not overlooking this vital artery in her quest to lead the world. The first step, in my judgment, is to return to the Administrator the power Congress originally intended him to have and to divorce politics from this vitally important program.

Now, may I just conclude by saying that I was very interested in this question that was raised by a former witness here as to the constitutionality of this bill, or these bills. Of course, I realize when any question like that is raised, that it requires examination and consideration, and I feel sure that the gentleman was in good faith. I don't attack his good faith at all, and he could be right, but I think that he was definitely wrong. And while he was testifying, I happen to have a copy of the Constitution with me, which I carry with me in my pocket at all times and read it when I can. I certainly don't claim to be any great constitutional authority. I have been a member of the bar since I was 21 years of age, engaged in the practice of law, am a former district judge, and naturally have had some experience in the field of law, but I certainly don't claim to know all of the answers.

But I call your attention to article 1, section 8, which is the section that sets out specifically most of the powers of Congress, or a great many of them, at least. It says, among other things—I will go over it hurriedly—that Congress has the power to borrow money on the credit of the United States, to regulate commerce, to establish post roads, to raise and support armies, to maintain a navy, and so on and so on and so on. The last paragraph of that section 8 makes this provision:

To make all laws which shall be necessary and proper for carrying into execution the foregoing powers and all other powers vested by this Constitution in the Government of the United States, or any department or officer thereof.

So it seems to me very clear that the Congress—which, of course, is the lawmaking body of our Government—would have the right to make such law as it desired to make in regard to this particular matter, and we do know that the Constitution and any law made in pursuance to the Constitution is the supreme law of our land, and it would seem to me that Congress would clearly, under that provision and the general provisions of the Constitution, have the right, if they saw fit to do so, of course, to put this power in the Administrator.

Chairman DAWSON. Mr. Fascell.

Mr. Fascell, I have no questions, Mr. Chairman.

Chairman DAWSON. Mr. Brown.

Mr. BROWN. I would just like to comment that I recognize the gentleman's ability in connection with interpreting the Constitution. The only difficulty we have encountered in recent years is that sometimes the Supreme Court doesn't agree with the Congress as to what the Constitution means, or whether what we do is according to the Constitution or not. I know the gentleman is just as critical of that situation as I am, so maybe, in the end, the courts may have to decide how much power we have in this matter.

But I want to go back to one other thing, and ask a question, because I have known you very long and very well, and I am sure you did not mean to make a misstatement, but I think you did. You say that the Administrator, who you will agree, is a very high-grade gentleman, well qualified, and so forth and so on, is only permitted to pass on loans under \$500,000, something like 20 percent of the volume.

Now, isn't it a fact that he passes on all loans and it is only loans over \$500,000 that are reviewed by the Secretary of Agriculture?

Mr. MORRIS. Well, I am glad you raised that question. I certainly wouldn't ever knowingly make a misstatement, and if I have I want to be corrected, but I don't believe I have, and I want to say to the gentleman that my regard for him is almost unbounded, even though we might not agree on some particular things. I certainly have the highest regard for the gentleman, for his integrity, for his ability, and for his general conduct as a Member of this great body of Congress, and if I did I stand corrected, but I think that I did not make an incorrect statement.

As I understand it, he has issued a directive, the Secretary of Agriculture, that from here on out, any loan over \$500,000 must be inspected by him. That is permitting the Administrator to only make those loans of less than \$500,000.

Mr. BROWN. Yes, but isn't it a fact that the Administrator first passes on all loans? In other words, if there is a loan for \$5 million, the Administrator could turn that down. It is only the loans that he recommends above \$500,000 that are subject to any type of review; is that correct?

Mr. MORRIS. That could be. I haven't read the actual directive. That could be.

Mr. BROWN. Now, I want to ask you just one other question. We took a great deal of testimony, as you are aware, last year. Do you know of any case where the recommendation, or a loan suggested, by the Administrator, whether it was below \$500,000 or above \$500,000, was ever vetoed or rejected by the Secretary of Agriculture?

Mr. MORRIS. No, sir, I do not, and I heard the other witness, one of the witnesses who testified, say that he would assemble that information. And that is not the point that I make. I don't know that he actually has. The point is that the threat is there.

Mr. BROWN. I am asking you a direct question whether you know of any.

Mr. MORRIS. No, sir, I do not.

Mr. BROWN. Now, you say Mr. Hamil—and I agree with you—I don't know the man except I have seen him before the committee

here—that Mr. Hamil is a very high-grade gentleman, and all of that. I think if you check the record, he has testified, or did last summer, that there has never been any rejection of any loan, that he has recommended, by the Secretary of Agriculture or anyone else, and if I am incorrect in that statement then I apologize, but that is the best of my memory.

Mr. MORRIS. You may be correct, and I know the gentleman would not want to cut me off from a full explanation of my point there, and you probably are correct, Mr. Brown.

But the point I make is this: The threat is there, and frankly, may I make this statement, and I have made it to many people: It is my understanding that the Secretary of Agriculture, Mr. Benson, is a splendid Christian gentleman, and in my own district I may have suffered some politically from more or less taking up for him, politically, on occasion, on the theory of his being a good man and a man of good purpose. But I will say to you that his philosophy in running the Agriculture Department, in my judgment, is not good, and I think it has hurt us, and it is right in line with what I am saying here, and I think his philosophy is—notwithstanding his being a good man—I think his philosophy is to gradually whittle away this REA and destroy it.

Mr. BROWN. Of course, it is hard to open anybody's mind, and determine what he may think, but up to date, regardless of what his philosophy may be on other matters, there is no evidence, to my knowledge, before this committee, that any philosophy he may have, has, in any way, affected any of the loans recommended by the Administrator of REA.

Mr. MORRIS. That could well be true, I don't know, Mr. Chairman.

Mr. SMITH. My only question, Mr. Chairman, is: Is a copy of this directive available?

Mr. MORRIS. I think that should be obtained, that it should be, to clear that up. I don't know whether it is available or not.

Chairman DAWSON. We will ask one of the other witnesses for that. We will obtain one if it is.

Any questions, Mr. Barry?

Mr. BARRY. I don't have a question, but it seems more and more as this hearing progresses to be one of what the Department of Agriculture—and particularly the Secretary—could do, and I just take my text from the great Democrat who said there is nothing to fear but fear itself, and I see nothing here on the record. I am only a freshman here, but I don't understand taking the time of so many people on a matter of this kind on something that there is no actual case that has been brought here of an abuse of power.

I understand that it is our function to inquire from time to time into departments, but unless there is something concrete brought in, I fail to understand the reason.

Mr. MORRIS. Mr. Chairman, I don't want to belabor this, but may I answer him on this, or may I make this suggestion to the gentleman:

Certainly I know you want to move on, and I don't want to spend any large amount of time here with you, and I certainly want to tell you how grateful I am for your letting me appear, Mr. Chairman and members of the committee, but I always want to be be—and I think I am—honest and frank with everybody, and I think this legislation

definitely is superinduced and brought about largely by reason of the present Secretary of Agriculture. I will admit that because the people in this group feel that he is unfriendly toward them to some extent. But getting on to the point that you can't remove politics from politics, if I am not mistaken, this Administrator is appointed for 10 years, and the long tenure to some extent relieves a person of pressure. It is like the members of the Supreme Court and other members who might be appointed for life, the judiciary, we know that is the reason for their being appointed for life, to remove that pressure.

Under the present Constitution, a man who is in for 10 years would be in for at least the past two administrations. So I think it does tend to relieve the pressure.

Chairman DAWSON. Thank you very much.

Mr. Kenneth Scott.

STATEMENT OF KENNETH L. SCOTT, DIRECTOR OF AGRICULTURAL CREDIT SERVICES, DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY DAVID A. HAMIL, ADMINISTRATOR, RURAL ELECTRIFICATION ADMINISTRATION

Mr. SCOTT. Mr. Chairman, may I invite Mr. Hamil, the Administrator, to join me?

Chairman DAWSON. Yes.

Mr. SCOTT. Thank you, Mr. Chairman, members of the committee.

Secretary Benson has asked me to present to you the Department of Agriculture's views on the four bills under consideration today. You will recall that I presented the Secretary's statement on a similar measure to your committee last June. We opposed that proposal to make Reorganization Plan No. 2 of 1953 inapplicable to the REA as we do the pending bills. The Department recommends that H.R. 1321, 3029, 3192 and 4662 not be enacted.

We have had ample time for reflection and examination of all aspects of the proposal in the 9 months which have elapsed since our last appearance here. It still is our considered judgment that enactment would not be in the best interests of the REA program and would be contrary to well-established and accepted principles of sound, effective Government organization and administration.

The Department is fully aware and very proud of REA's record of accomplishment and success, and of the unanimity of support and praise it has received from farmers and rural people, from farm organizations, and from legislators on both sides of the aisle here in Washington and in State capitals across the land. The Department has played its part in making that record. It regards very highly its 20 years of participation in these programs and looks forward to continuing its contribution in meeting the challenge of the future.

The Department has given you in writing its reasons for taking the position that these bills not be enacted. The reasons against making Reorganization Plan No. 2 inapplicable to REA are the same as those we presented last year. We still believe that it is important to centralize in the Secretary responsibility for effective administration of all programs within the Department, and to make explicit and uniform the authority for carrying out his responsibilities.

The coordination of responsibility and authority is in line with the sound congressional policy of vesting functions directly in the Department heads so that they can be held accountable for the performance of their agencies.

We testified last year that while the language of the 1953 plan is broad enough to transfer functions from the REA Administrator to the Secretary, all such functions had in fact been transferred by Reorganization Plan No. II of 1939. That plan changed the status of REA from an independent agency to an agency of the Department of Agriculture. It provided that REA be administered in the Department of Agriculture "under the general direction and supervision of the Secretary of Agriculture." That point was developed in some detail in a letter dated August 30, 1957, addressed to Chairman Humphrey of the Subcommittee on Reorganization of the Senate Committee on Government Operations. It is found on pages 162-165 of the printed hearings on H.R. 11762, 85th Congress.

Something new has been added to the proposals pending before this committee which did not appear in H.R. 11762. It is now proposed, and I quote :

* * * notwithstanding the provision of section 5 of Reorganization Plan Numbered 2 of 1939, or the provisions of any other law, any action of the Administrator of the Rural Electrification Administration with respect to the approval or denial of loans authorized to be made under the provisions of the Rural Electrification Act of 1936, as amended, shall be the sole responsibility of the Administrator.

One of the bills, H.R. 3092, would make any action of the Administrator his sole responsibility.

It is difficult to reconcile this provision with the objectives underlying the 1939 reorganization plan. As we point out in the Department's report, the basic reason for that plan was to improve the administrative management of the executive branch by a more logical grouping of existing units and functions and by a further reduction in the number of independent units. President Roosevelt stated in transmitting the plan that the work of REA in its educational as well as its lending functions is clearly a part of the rural-life activities of the country and should therefore be administered in coordination with the agricultural activities of the Government.

The approval or denial of loans is a most essential function of the REA Administrator. If it is intended by the language of this provision that the bare act of affixing, or refusing to affix, his signature to a loan is the sole responsibility of the administrator, it is meaningless. If what is intended to be covered is the act of decision on a loan, both Administrator Hamil and I have already assured this committee that it is the Administrator who makes these decisions.

On the other hand, if this phrase means that all decisions as to the policies, procedures, and personnel which are the vital, indispensable ingredients of the loan process are to be made solely by the Administrator, then the effect of enactment of these proposals would be to remove REA substantially in its entirety from the general supervision and direction of the Secretary. This would indeed strike down Reorganization Plan No. 2 and destroy its objectives insofar as they pertain to REA.

Frankly, I think this language is ambiguous. Perhaps these hearings will clarify its intent.

It has been charged that the Secretary's request, made in June 1957 to Administrator Hamil, that he refers certain loans to me for information and possible discussion was a breach of faith because the Secretary had not given public notice of this "major change" in accordance with his assurance to congressional committees. This referral procedure was not a major change in REA organization or policies. No powers or functions were transferred from REA. The Administrator's authority for final approval of loans was and is not curtailed. Both Administrator Hamil and I testified that not a single loan had been withheld or unduly delayed because of their having been referred to me. This is as true today as it was last June.

I wish to inform the committee that we revised our informal arrangement just recently so that only applications for generation and transmission loans in excess of \$1 million, rather than all electric applications exceeding half-million dollars, and new telephone applications are now being referred to me. I repeat, none has been vetoed or delayed by me.

There has been talk of a master plan to destroy REA. We emphatically deny that this administration has any plan or intention to in any way harm REA. The Department is alleged to have participated in such a plan by its submission to the last Congress of legislation affecting REA. This administration has consistently supported the REA programs. We are proud of that fact that REA and its borrowers are in the best condition of their quarter century of existence. Administrator Hamil is here and will furnish the pertinent facts as to current condition.

To carry out the recommendations of the President in his budget message for 1960, the Department is in the process of preparing for submission to the Congress, legislation which would adjust the interest rate to reflect the cost of money to the Treasury and also to broaden the sources of capital for the borrowers. This would replace on future loans the fixed rate of 2 percent established 15 years ago when financial conditions and the state of progress of the REA programs were quite different from what they are today. There would be no change in the interest rate on loans totaling nearly \$4 billion which have been approved.

The REA systems have progressed to the extent that they are now able to start using some private loan funds along with Federal funds. This proposal is in keeping with the traditional pattern of the Federal Government in encouraging businesses to go forward with less dependence on Government resources after they have become well established. The transition from complete Federal financing to private financing can be made in an orderly and gradual manner. We believe this can be accomplished in a way that will not work a hardship on any rural system or its consumers.

Recently the President again stated the administration policy when he expressed the sincere desire to see the REA-financed systems become even stronger and more self-sufficient.

REA and REA systems have changed a great deal since 1944, when the present financing pattern was established. Rural industrial and non-farm-residential consumers now account for more than half of the total powerload on these systems and their proportion of total sales is expected to increase. The nonfarm loads in the future will

account for a large part of the loan requirements for increased capacity.

About 75 percent of the more than 100,000 new consumers being added annually are nonfarm consumers. These nonfarm consumers are just as eligible under the act as farm families. The large percentage of increase in nonfarm consumers and the heavy investment in plant and facilities to serve their needs is the result of rapid growth and development that is occurring in many rural areas throughout the country.

The service areas of many of these rural electric systems have changed from a farming area with only small communities to an extensively developed and rapidly growing area. During this period of about 25 years the basic loan authority in the Rural Electrification Act has remained substantially the same. The act authorizes the advancement of loan funds to serve any rural consumer who is not receiving central station service.

In addition to providing for the increased power requirements of existing consumers, REA loans commonly provide funds to extend service to new housing subdivisions, or new industrial plants of various sizes, to recreational and resort facilities, or street lights for small communities. Occasionally the purpose of the loan will be to extend lines to a new oil and gas field or to a large mining, lumber, or other industrial plant in a remote area.

Sometimes these profitable payloads make it possible for the first time to extend service to isolated farm and ranch families. Generally, this expansion in profitable nonfarm loads is contributing substantially to the growth in system net worth.

These rural systems have made tremendous growth since the REA program was started 25 years ago. These systems have a very favorable outlook for continued growth and development. We think it would be in their best interest to start making long-range plans to adequately meet their future requirements. We stand ready to join with representatives of these systems in developing such long-range plans—carefully tailored to their particular needs.

We repeat what we stated here last year. Estimates of capital funds needed to meet the growing demands for electric power in rural areas indicate that dollar requirements during the next generation will exceed the \$3.8 billion already loaned by the Federal Government through REA during its first 24 years of operation. The magnitude of these capital requirements and the urgency of other demands upon the Federal Treasury emphasize the need to find an adequate source of funds other than primary dependence on the Federal Treasury. We shall continue to explore and to study all possibilities and recommend those to the Congress which we consider feasible and consistent with the objectives of the Rural Electrification Act.

We would be derelict in our duty to the public as well as to these fine rural electrification and telephone enterprises, if we not continuously bend our thoughts and our energies to this end.

Returning to the specific proposals under consideration by your committee, I shall close by reiterating our firm conviction that the basic considerations under the reorganization plans of 1939 and 1953, insofar as they relate to REA, are applicable today as they were at the

times of their adoption. Enactment of the pending proposals would do violence to the intent and objectives of both these plans.

Mr. Chairman and members of the committee, I would be glad to respond to questions. Mr. Hamil has a short statement if you would care to defer questions until after he has given his.

Chairman DAWSON. We will wait until he has made his statement.

Mr. HAMIL. Mr. Chairman and committee members, I am pleased to be here at your invitation to present my views on the pending legislation. I appeared before this committee last June, presented a prepared statement on a proposal very similar to the pending bills, and talked with you at length. My answers were frank and they were my own. If I were asked the same questions today, my answers would be the same.

I am ready to answer for any aspect of the administration of the REA programs. I have administered them without interference from any quarter. I exercise full responsibility.

I offer at this point in the record some program statistics very similar to those I submitted last year. These have been brought up to date. If you have any questions relating to them, I am at your service.

(The statistics referred to are as follows:)

TABLE 1.—*Purpose of electric loans*

Calendar year	Distribution (excludes system improvements)	System improvements	Total distribution	Generation	Transmission	Consumer facilities	Gross loans made
1953-----	(1)	(1)	\$119,003,843	\$3,124,295	\$20,773,461	\$1,748,262	\$144,649,861
1954-----	\$90,180,885	\$38,438,890	128,619,775	25,345,792	14,656,363	2,863,000	171,484,930
1955-----	91,379,969	36,564,841	127,944,810	23,504,850	24,066,340	4,580,000	180,096,000
1956-----	80,854,344	58,742,537	139,596,881	43,528,608	32,631,925	4,765,000	220,522,414
1957-----	88,516,577	82,874,804	171,391,381	70,718,143	49,796,245	4,570,000	296,475,769
1958-----	66,251,817	51,063,106	117,314,923	51,526,726	40,780,351	4,180,000	213,802,000
Total, 1953-58---	(1)	(1)	803,871,613	217,748,414	182,704,685	22,706,262	1,227,030,974
Total, 1935-58 ² ..	(1)	(1)	2,938,385,204	435,489,290	433,053,188	39,692,933	3,846,620,615

¹ Not separately reported.

² Net cumulative.

TABLE 2.—*Loans for generation and transmission*

Calendar year	Number generation loans	Amount of generation loans	Number of transmission loans	Amount of transmission loans	G. and T. as percent of total loans during year
1953-----	13	\$3,124,295	67	\$20,773,461	16.5
1954-----	16	25,345,792	57	14,656,363	23.3
1955-----	13	23,504,850	76	24,066,340	26.4
1956-----	13	43,528,608	77	32,631,925	34.5
1957-----	23	70,718,143	101	49,796,245	40.6
1958-----	16	51,526,726	87	40,780,351	43.2
Total, 1953-58-----	94	217,748,414	465	182,704,685	32.6

TABLE 3.—*Funds advanced to electric borrowers*

Calendar year:	<i>Funds advanced</i>
1953	\$202, 354, 558
1954	164, 216, 078
1955	153, 322, 400
1956	161, 425, 783
1957	212, 903, 424
1958	203, 341, 562
Total, 1953-58	1, 097, 563, 805
Total, 1935-58 (net cumulative)	3, 254, 776, 704

TABLE 4.—*Financial condition of electric borrowers improves*

Calendar year	Net worth up		Net margins up	
	Total net worth (as of Jan. 1)	As a percent of assets (as of Jan. 1)	Annual net margins	As a percent of operating revenues
1953	\$161, 341, 922	7.7	\$30, 828, 814	8.5
1954	193, 103, 222	8.4	43, 965, 783	10.8
1955	235, 668, 151	9.6	58, 836, 250	13.1
1956	293, 424, 923	11.2	69, 389, 622	14.1
1957	365, 672, 752	13.2	68, 900, 391	13.2
1958	436, 921, 946	14.9	173, 400, 000	13.0
1959 ¹	512, 000, 000	16.4		

¹ Estimated.TABLE 5.—*Payments by electric borrowers to Government increase*

Calendar year	Interest	Principal	Increase in payments ahead of schedule	Total payments	Number of delinquent borrowers (as of Jan. 1)	Amount of payments in arrears (as of Jan. 1)
1953	\$22, 945, 825	\$42, 742, 293	\$10, 025, 059	\$75, 713, 177	45	\$718, 399
1954	29, 114, 872	52, 591, 566	16, 151, 436	97, 857, 874	25	355, 592
1955	34, 695, 030	63, 702, 170	12, 584, 488	110, 981, 688	13	307, 340
1956	38, 460, 250	71, 255, 819	11, 409, 325	121, 133, 394	15	417, 183
1957	40, 772, 282	74, 259, 131	14, 842, 106	129, 873, 519	8	233, 873
1958	43, 628, 506	79, 633, 730	21, 489, 249	144, 751, 485	6	123, 207
1959					6	137, 553

Cumulative as of Dec. 31, 1958:

Total interest due and paid	\$350, 163, 823. 30
Total principal due and paid	586, 441, 630. 29
Total advanced payments	138, 972, 625. 49
Total principal overdue more than 30 days	104, 217. 04
Total interest overdue more than 30 days	33, 335. 79

TABLE 6.—*Number of electric consumers and miles of line continue to grow*

As of Jan. 1	Consumers served	Miles of line energized
1953	3, 858, 396	1, 244, 645
1954	4, 024, 826	1, 297, 264
1955	4, 174, 346	1, 332, 937
1956	4, 251, 250	1, 361, 605
1957	4, 361, 896	1, 382, 737
1958	4, 466, 444	1, 405, 327
1959 (estimated)	4, 590, 000	1, 426, 000

Average consumption of power per consumer climbs

[Kilowatt-hours]

Calendar year	Annual usage	Monthly usage
1953-----	3,000	250
1954-----	3,360	280
1955-----	3,672	306
1956-----	4,020	335
1957-----	4,368	364
1958 (estimated)-----	4,680	390

TABLE 7.—*Sales of power by borrowers climb*

Calendar year	Kilowatt-hours	Revenues
1952-----	10,127,863,000	\$321,407,348
1953-----	11,804,174,000	362,977,101
1954-----	13,829,131,000	408,144,564
1955-----	15,738,772,000	449,625,847
1956-----	18,197,414,000	491,184,729
1957-----	19,676,628,000	523,783,014
1958 (estimated)-----	21,705,000,000	563,100,000

TABLE 8

Retail price of power down

Calendar year:	Price per kilowatt-hour (all consumers) (cents)	Calendar year—Con.	Price per kilowatt-hour (all consumers) (cents)
1952-----	2.98	1956-----	2.62
1953-----	2.92	1957-----	2.55
1954-----	2.80	1958 (estimated)-----	2.47
1955-----	2.71		

Wholesale cost of power down

Fiscal year:	Cost per kilowatt-hour (all borrowers) (cents)	Fiscal year—Con.	Cost per kilowatt-hour (all borrowers) (cents)
1952-----	0.79	1956-----	.72
1953-----	.78	1957-----	.71
1954-----	.76	1958-----	.70
1955-----	.74		

TABLE 9

Telephone loans made

Calendar year:	Gross loans	Calendar year—Con.	Gross loans
1953-----	\$50,112,000	1958-----	102,927,000
1954-----	66,346,000		
1955-----	66,808,000	Total, 1953-58	
1956-----	82,181,000	(gross)-----	444,829,000
1957-----	76,455,000	Total, 1949-58	
		(net)-----	526,540,415

*Funds advanced to telephone
borrowers' increase*

Calendar year:	Funds advanced	Calendar year—Con.	Funds advanced
1953-----	\$25,995,638	1958-----	88,888,216
1954-----	35,402,438		
1955-----	46,025,668	Total, 1953-58-----	337,697,945
1956-----	63,011,184	Total, 1949-58-----	355,420,530
1957-----	78,374,801		

TABLE 10.—*Payments by telephone borrowers to Government increase*

Calendar year	Interest	Principal	Increase in payments ahead of schedule	Total payments	Number of delinquent borrowers (as of Jan. 1)	Amount of payments in arrears (as of Jan. 1)
1953.....	\$83, 614	\$120, 627	\$5, 355	\$209, 596	1	\$1, 873
1954.....	384, 613	1, 058, 705	3, 112	1, 446, 430	31	174, 410
1955.....	631, 327	684, 857	144, 876	1, 461, 060	33	436, 006
1956.....	1, 244, 845	1, 391, 971	107, 112	2, 743, 928	23	497, 697
1957.....	1, 935, 939	2, 387, 817	254, 344	4, 578, 100	25	534, 719
1958.....	2, 849, 223	3, 564, 507	581, 825	6, 995, 555	17	388, 186
1959.....					16	373, 403

Cumulative as of Dec. 31, 1958:

Total principal due and paid.....	\$9, 225, 970. 06
Total interest due and paid.....	7, 130, 521. 31
Total advance payments.....	1, 096, 624. 04
Total principal overdue more than 30 days.....	347, 639. 52
Total interest overdue more than 30 days.....	25, 763. 11

TABLE 11.—*More rural people getting better telephone service each year*

Calendar year	Subscribers provided for by loans		Route miles of line provided by loans
	Initial service	Improved service	
1953.....	35, 682	34, 625	20, 532
1954.....	64, 136	62, 530	38, 569
1955.....	71, 030	83, 240	32, 903
1956.....	69, 204	119, 075	35, 173
1957.....	55, 620	92, 854	29, 573
1958.....	80, 243	107, 750	37, 393
Total 1953-58 (gross).....	375, 915	500, 074	194, 143
Total 1949-58 (net).....	495, 994	604, 240	257, 392

Telephone construction, by years

Calendar year	Number of exchanges eutover to dial	Number of miles of line built
1953.....	112	15, 196
1954.....	121	16, 996
1955.....	275	20, 442
1956.....	301	28, 613
1957.....	380	41, 454
1958.....	435	37, 140

Mr. HAMIL. I have a few brief observations on these matters which are before you.

Secretary Benson has made no change in the organization, authorities, functions or policies of REA.

The informal procedure whereby proposed supplemental loans in excess of one-half million dollars—now \$1 million—and proposed loans to new borrowers are discussed with Mr. Kenneth L. Scott, Director of Agricultural Credit Services, has not resulted in the rejection of a single loan or in any appreciable delay.

In not a single instance has Secretary Benson or Director Scott interfered in the discharge of my responsibilities as Administrator of REA. I make the loans.

For your information, Mr. Chairman, in my absence from the office my very able Deputy, Ralph J. Foreman, who is in the room here, is in charge of REA. On those occasions, he makes the loans. If he and I are both absent, we have three Assistant Administrators who act in that capacity, Roy G. Zook, Robert T. Beall, and Norman McFarlin.

I also have in the room Mr. Charles Samenow, whose title in REA is legislative consultant, and who on many occasions has acted as Administrator and made loans.

While I have been Administrator, not one loan application which met the requirements of the Rural Electrification Act has been rejected. Not one of my loan decisions has been motivated or colored by political considerations.

It is my own considered opinion that REA has prospered in its 20 years in the Department of Agriculture. It is doing well now. The counsel and experience of Secretary Benson and Director Scott have helped me in discharging my duties. I see no need or reason for change. I support fully the position of the Department.

I shall be glad to answer any questions.

Chairman DAWSON. Mr. FASCELL.

Mr. FASCELL. On page 4, Mr. Scott, you make the statement that the Administrator's authority for final approval of loans was and is not curtailed. Then you follow that up, however, by saying that you have an informal arrangement whereby loans in excess of \$1 million are reviewed by you.

Mr. SCOTT. That is correct.

Mr. FASCELL. Isn't that a modification of the Administrator's authority?

Mr. SCOTT. He received the delegation of authority from the Secretary when he was appointed to run the Rural Electrification Administration under the act, and to take action on loans. That was not interfered with in any way. I have no authority to approve or deny loans. That authority has always been and is now in the Administrator. I review some of them. As to any application where I have any points that I think might well be brought to the attention of the Administrator, I do that. Never in any sense have I indicated that he should turn it down or approve it.

Mr. FASCELL. If this informal arrangement is not a modification of the authority of the Administrator, what is its purpose?

Mr. SCOTT. Well, it is largely to keep the Secretary's office informed, and me particularly, so that I can bring to the attention of the Secretary any points about the program of any nature that I think would be in keeping with his responsibilities.

Mr. FASCELL. If the Administrator had a direct delegation of authority under the Reorganization Act from the Secretary of Agriculture, why wouldn't he be automatically informed as to everything that is going on in this Department?

Mr. SCOTT. You mean the Secretary be automatically informed?

Mr. FASCELL. Yes. Isn't the REA Administrator a part of the Department of Agriculture?

Mr. SCOTT. Oh, yes, indeed.

Mr. FASCELL. Then why would you have to have an informal procedure to keep the Secretary advised? He is under the direct supervision of the Secretary of Agriculture, is he not?

Mr. SCOTT. That is right.

Mr. FASCELL. Then this informal arrangement is evidently to accomplish something else.

Mr. SCOTT. No; it is not.

Mr. FASCELL. Then I still don't understand the reason for the informal arrangement.

Mr. SCOTT. The pattern of operation in the Department of Agriculture is to have the several bureaus or agencies under the supervision and direction of a staff member, the under secretary and the assistant secretaries, and myself, and the administrative assistant, Mr. Roberts.

Mr. FASCELL. Now, sir, you are Director of Agricultural Credit Services?

Mr. SCOTT. That is right.

Mr. FASCELL. Under ordinary operation in the chain of command wouldn't Mr. Hamil's department be under your supervision and direction?

Mr. SCOTT. That is right.

Mr. FASCELL. Then if that is true, why the necessity of expressing specifically an informal arrangement dealing with a particular amount of loans? You have jurisdiction over everything he does, don't you?

Mr. SCOTT. That is correct, but in any lending operation the way to keep in touch with the loan requirements out in the country, and the specific needs in the REA systems, to find out what their requirements are, what their progress is, and their estimates of future growth, and so on, you get that best from review of the loan dockets.

Mr. FASCELL. I will agree with you, Mr. Scott, but couldn't you do that before you had this informal loan arrangement?

Mr. SCOTT. Yes.

Mr. FASCELL. All right, then, what are you doing now under the informal arrangement that you weren't doing before the informal arrangement?

Mr. SCOTT. Well, it is an opportunity in an orderly way to look at the loan folders. I didn't look at very many loan folders before. It was an arrangement to have these larger loans come across my desk, to keep me informed as to what the situation is.

Mr. FASCELL. In other words, what you are telling me, as I understand it, is the practice in the Department was, prior to the time that this informal arrangement was set up, that nobody reviewed Mr. Hamil's activities. For all intents and purposes, he was an independent operation, even though he was under the direction, supervision, and in the chain of command which flowed through you to the Secretary, so that there would be no misunderstanding about a definite review practice being established, you set up this informal review basis, even though you had the authority prior to that time to do the same thing?

Mr. SCOTT. That is right, Mr. Hamil and his predecessor, Mr. Nelson, and I frequently talked about matters, but this was thought to be a more orderly way and a very simple way for me to keep in touch with the problems and progress of the system out through the country.

Mr. FASCELL. I am still at a loss and I can't understand why it is necessary to have a particular administrative procedure identified as such when you had the authority to do the same thing all along.

This gives rise to speculation, at least, if not actual fact, that something is now being done that wasn't done before, and in order to do that you had to specify it even though it is informally.

I don't see how you can escape that, and this is, by the way, an oral proposition, there is no written regulation or directive?

Mr. SCOTT. That is correct.

Mr. FASCELL. So we have the same situation today as we did the last time we discussed this matter. Do I understand, Mr. Scott, that under the present procedure of this informal arrangement that Mr. Hamil has a completed docket prior to the time he comes to you, if it is in excess of \$1 million?

Mr. SCOTT. Yes.

Mr. FASCELL. And when the matter is brought to you, has he decided what action should be taken before it comes to you?

Mr. SCOTT. Well, I don't attempt to find out whether he has or has not. As a matter of fact, I am quite sure that sometimes I see the loan before he does. These dockets represent the judgment of his staff people, including the men that work there in the General Counsel's office.

Mr. FASCELL. Maybe I better direct my questions to Mr. Hamil; would you inform me what the procedure is now. If a docket is presented, and I assume that it is a file folder, it starts out with the basic application and then goes with their—with staff studies, and what not, stuck on top of it?

Mr. HAMIL. Yes.

Mr. FASCELL. And finally somebody gets around to putting a final sheet of paper on top of it which says yes or no, Mr. Hamil; is that what you do?

Mr. HAMIL. I sign all loan dockets. That makes it a legal instrument, and in my absence, as I told you a minute ago, I delegate the authority. Let me put it this way: No loan has ever gone to Mr. Scott's desk that I didn't intend to make. I have made every one of them that went to Mr. Scott's desk.

Mr. FASCELL. That doesn't answer my question.

Mr. HAMIL. Well, what do you want, Mr. Fascell?

Mr. FASCELL. I can appreciate what you are telling me. I have no quarrel with that. All I am trying to find out now is whether or not you actually, in writing, take final action on a loan prior to the time it is submitted for review.

Mr. HAMIL. I have in many cases, I can any time I want to.

Mr. FASCELL. All right.

Mr. HAMIL. I am the Administrator, Mr. Congressman, and I can sign those dockets any time I want to.

Mr. FASCELL. When you say sign a docket, just what does that mean; tell me.

Mr. HAMIL. That makes it a legal document obligating the United States of America.

Mr. FASCELL. In other words, it is the final paper which indicates that the applicant is entitled to the money?

Mr. HAMIL. Yes, it is a commitment, Congressman. There may be a stop order provision saying that the borrower must meet certain qualifications before we will release the funds.

Mr. FASCELL. I see. But for all intents and purposes it is the final commitment?

Mr. HAMIL. Yes.

Mr. FASCELL. Now, all I am trying to establish is the procedure. Do I understand that the final commitment in all cases involving \$1 million is or is not signed by you prior to submission for review under this informal arrangement you have?

Mr. HAMIL. Basically, they have not been signed before I send them over.

Mr. FASCELL. All right, then, any loans for \$1 million are submitted to you and then they are signed by you?

Mr. HAMIL. Yes.

Mr. FASCELL. That is the procedure?

Mr. HAMIL. Yes, as Mr. Scott has told you, Mr. Congressman, it has been an informal procedure for discussion purposes. This is no small amount we are dealing with.

Mr. FASCELL. I didn't say it was. I don't mean to be derogatory at all. Now, isn't it a fact, Mr. Hamil, prior to 1957, when the first informal arrangement was made, that the final commitment was signed by you without prior review?

Mr. HAMIL. I discussed many loans with Mr. Scott prior to that.

Mr. FASCELL. I am sure you did, and with other people, but the basic difference between your operation prior to 1957 and today is that in those loans under which this informal arrangement applied, you do not actually sign the final commitment until after the review has been made?

Mr. HAMIL. That is basically right.

Mr. FASCELL. Thank you. That is all.

Mr. BROWN. May I follow up on that. Prior to 1957, as you mentioned a moment ago, if you had a question about a loan which you wanted to discuss with the Assistant Secretary in charge of these lending agencies, you didn't sign them until you discussed them, did you?

Mr. HAMIL. Why, no I didn't.

Mr. BROWN. In other words, why would you discuss something you had already approved? The only difference now is that somebody someplace up the line suggested that on loans over the first \$500,000, now over \$1 million, that Mr. Scott take a look at them so he would know; is that correct?

Mr. HAMIL. That is correct.

Mr. BROWN. Now, I have been head of a corporation for a good while, and run a few newspapers. I have arrangements whereby publishers have complete power and control over each paper they publish; but, also because I do have a responsibility to the stockholders, to the investors, as I think you have a responsibility, and perhaps the Secretary of Agriculture, to the stockholders in this country, I have an arrangement whereby if there is going to be over a certain amount of money paid out on some project to spend more, on that newspaper, I want to know about it first. I want to know how it is going to affect our corporation, and all of that, and I do look at it first. The only difference in your operation is you sign it regardless of what authority they may have, while I have the authority to say "no, boys, you can't spend that money." So you don't have quite as tight an organization in Agriculture as the average businessman has, do you?

Mr. HAMIL. No, that is true.

Mr. BROWN. Not as much control. In other words, the people, who by law have been given this responsibility to oversee, actually don't exert a veto power on your loans, but instead, they act in an advisory capacity, and up to this time they have never requested or suggested that you reject a loan or they have never rejected a loan; is that right?

Mr. HAMIL. There has been discussion, Congressman, about loans.

Mr. BROWN. Oh, yes, as to whether or not it is feasible.

Mr. HAMIL. The point I want to make emphatically is: every loan that has been discussed with Mr. Scott has been made, and made in the amount in which it came to my desk.

Mr. BROWN. And in the final analysis, it has always been your decision?

Mr. HAMIL. Yes. Now, I want to say for the record there has been a time or two when Mr. Scott and I have differed on a major policy in regard to a loan, but I have carried out the decision as made by me as Administrator. Mr. Scott is here to vouch for that.

Mr. BROWN. By you?

Mr. HAMIL. Yes.

Mr. SCOTT. That is correct.

Mr. BROWN. That seems pretty clear.

Chairman DAWSON. Have you ever turned down any loans?

Mr. HAMIL. I have never turned down a loan that has come to my desk.

Chairman DAWSON. That isn't the question. Have you ever turned down any loans over \$1 million?

Mr. HAMIL. Congressman, there is a great deal of difference between a loan and an application.

Chairman DAWSON. Well, we will say an application.

Mr. HAMIL. I have been presented applications, Congressman, that do not meet our specifications. In accordance with the REA Act, I have never signed a loan that my legal advisers have told me has been contrary to law. There have been applications that have come in and have been returned to the field and have been resubmitted.

Chairman DAWSON. I still don't get an answer to my question. What is Mr. Scott's purpose of passing on them before you do?

Mr. HAMIL. The purpose, Mr. Congressman, is for review.

Chairman DAWSON. Why should he review them? You have never turned down any. He has never turned down any.

Mr. HAMIL. For general information, Congressman.

Chairman DAWSON. Any questions?

Mr. SMITH. Yes, I would like to ask Mr. Hamil this:

Suppose a loan application came in for a loan in excess of \$1 million, and after you looked at it you thought it met all of the requirements, and you sent it over to Mr. Scott, either orally or by note, either one, and he said to you, "I don't think you should make this loan unless these people can show that they could not borrow the money somewhere else." Is that possible under the arrangement that you now have?

Mr. HAMIL. Why, yes, it would be possible, and if you want a specific case, just to get the record straight here, I will state one. I think we ought to get out into the open when we talk about these things. A loan application came to me from the Puerto Rico Water Resources

Authority. In my opinion, it came under the act, and in the opinion of our legal staff also it came under the act. There was a difference of opinion between Mr. Scott and me as to whether we should make loan funds available for that purpose.

I told Mr. Scott that in my opinion it came under the act, Mr. Scott, if he had any further objections, withdrew them, and the loan was made.

Mr. SMITH. Now, what if he did not withdraw them?

Mr. HAMIL. Well, if I can't run REA, I have got a couple of ranches to go back to.

Mr. SMITH. In other words, if he had not withdrawn his objection, then you would have made the loan anyway?

Mr. HAMIL. Well, I did.

Mr. SMITH. But you said he withdrew the objection.

Mr. HAMIL. That is a hypothetical case, Mr. Congressman. I am not in a position to answer what I might have done. The fact is the loan was made. To say what would I have done, I don't know. I can tell you what did happen.

Mr. SMITH. Well, the point is, is it not, Mr. Hamil, that there is a lot to what you say about going back to your ranches, if you didn't go along with the note you got from Mr. Scott, you probably would have had to go back to the ranches; isn't that about the situation?

Mr. HAMIL. I wouldn't think so. As a matter of fact, although Mr. Scott didn't agree with me in that case, I am still here. That was a long time ago. As a matter of fact, the steamplants in that loan are on the line.

Mr. SMITH. What I am getting around to is this: There was another program that involved municipalities, including your own State, Colorado Springs, borrowing money for the purpose of building dams at low interest rates?

Mr. HAMIL. I have nothing to do with that.

Mr. SMITH. I will ask Mr. Scott that.

As I understand it, under that program, Mr. Scott instituted some kind of policy which said they cannot borrow the money even though this was not in the law, they cannot borrow the money unless or until they show they cannot borrow the money somewhere else. Now, isn't that right, Mr. Scott?

Mr. SCOTT. That is right. There is no provision in the act as to whether there is to be any consideration of their ability to get funds elsewhere. We do have that policy, and that is the Watershed Act.

Mr. BROWN. Well, that is not the REA.

Mr. SCOTT. No.

Mr. SMITH. What I am getting down to is this: If you instituted that policy in that case, what is to keep you from instituting it in the case of REA? In other words, if that is your philosophy on those loans, that they should not be made if there is any possibility of getting a loan elsewhere, you could, under the procedure that you set up, institute that kind of policy here, could you not?

Mr. SCOTT. I don't think that the case is analogous at all. The Department was represented on this bill, the Watershed Act, by Assistant Secretary Peterson who testified for the Department that he was in favor of this loan program being used when it was necessary to accomplish the purpose of the act, and that is the regulation we have.

Mr. SMITH. But the Congress did not adopt his view, did they?

Mr. SCOTT. The Congress didn't say yes or no. The act is silent on that, but there is the testimony of the Department's view and the Administration's view on that particular part of the bill. Now, we have regulations that are intended in this instance to primarily inquire into the ability of large cities to finance the projects without this Government loan. We have testified that we have no intention of doing any more than making casual inquiry about the smaller communities that would have difficulty in arranging financing elsewhere.

The case you mentioned, Colorado Springs, went right ahead. All that was done, as I understand it, was to raise the question with them: Can you get the money somewhere else? They said they could, and they went ahead and got it, and the purpose of the act was carried out.

Mr. SMITH. At a higher interest rate.

Mr. SCOTT. Well, I suppose so, but the water facilities are out there.

Mr. SMITH. My point is this, if I could get down to a specific answer: If you wanted to, under the procedure you are using now, you could institute that same philosophy that was expressed there in the REA, couldn't you?

Mr. SCOTT. We certainly would never think of doing that without taking it up with the Congress. It would be a major change of procedure. We are proposing to get some private money into the program. We think there ought to be some, but we are coming to the Congress on that. We are presenting bills.

Mr. SMITH. You would not do on that what you did on the other?

Mr. SCOTT. The difference on this water bill is we testified as to the Department and Administration position on that bill, that it was to be administered that way.

Mr. SMITH. But the Congress didn't accept that position?

Mr. SCOTT. They didn't say "Don't do it."

Mr. SMITH. Then if the Congress doesn't say, in the case of REA, "Don't you institute that kind of policy," you think it is open for it to institute that kind of policy?

Mr. SCOTT. No; clearly there would have to be some new legislation for REA to go out to private sources to get funds to supplement the Federal funds.

Mr. SMITH. There has been some discussion here about why are we so apprehensive about this, and why is REA so apprehensive, and I think we get down to the fundamental reason that it is because they are afraid that you will do the same thing here that you have done in other cases. There has been that discussion.

Now, another thing: On page 6 of your statement here you mention at considerable length the fact that some of these loans or some of this current will be going to nonfarm uses; in other words, new industrial plants and new housing divisions, and street lighting in small communities, and so forth, and I wonder what is the significance of that? Are you opposed to it being used for that purpose?

Mr. SCOTT. I say these nonfarm consumers are just as eligible under the act as farm families. We have been accused of trying to destroy this system, and there is not a word of truth to it. I am pointing out here that the basis of our thinking that they should and

are able to start using some private loan funds is the great change that has taken place, the strength that is out there in many of these systems.

Mr. SMITH. You are not opposed to REA loans being made for this purpose?

Mr. SCOTT. Not at all. As a matter of fact, I think it would be very much in the interest of these rural communities to have even more competition. But I certainly think it ought to be on the basis of their standing on their own feet to the extent that they can. We have no thought of doing anything that is in any way going to be harmful to them. It will be an orderly arrangement.

Mr. SMITH. In other words, is it fair to say that the purpose of these statements is an argument in favor of higher interest rates; is that what you are trying to say?

Mr. SCOTT. It is merely to show that they have grown very greatly. They have a lot of financial strength and they are serving a lot of folks besides just farm people.

Mr. SMITH. That is all I have, Mr. Chairman.

Chairman DAWSON. Mr. Barry.

Mr. BARRY. I would like to take this opportunity to commend the wisdom behind the executive department's informal arrangement that exists, because it seems to me you are bringing to the REA Administrator here the availability of some of the executives charged by the Congress and by the Constitution with carrying out the broad policies of our farm program, and when you have this type of informal understanding between great executives of our Nation, I think it augurs well for the people of the Nation to be able to lean on other men in related fields, and especially to those such as Mr. Scott, who is not only identified particularly with agriculture, but more specifically with that of financing, and I am certain that if many of you have been in the business of credit risks, that we all in the business have learned from each other, and the best way to prevent making a serious mistake is to seek adequate counsel, and I think it augurs well, and I would just like to ask Mr. Scott and Mr. Hamil one question:

Do you think the present plan adequately protects the people of this Nation insofar as the money that is loaned out and is returned to the Government of the United States?

Mr. SCOTT. I think it does, Mr. Barry. These loans are worked up over a period of months by staff of the REA that is very competent. They are highly specialized in all of the various phases of these rural electric systems and rural telephone systems. The loans come up to the Administrator's desk as very carefully developed loan dockets with lots of splendid judgment going into them and all needed data assembled. Then you get to the things like—here is an example of something that the Administrator and I talk about:

We have had instances of lines running down into an irrigation district, pumping system, or an oilfield, where there are depleting assets. We talk about whether or not it would be desirable from the standpoint of the good of the local system to get their investment back in less than 35 years. Things of that kind, that will improve the service and make these loans more desirable, and to help build these local institutions.

Now, that is an illustration of the things that we talk about. As to the example we had a while ago, my reason for questioning the necessity of this fine institution down in Puerto Rico coming in for a loan was the fact that this application was for a generating unit. They had, as I recall, financed 21 units previously over a period of several years by private financing. It was at a time when rates in the money market were up, I think, maybe to 4 percent, or maybe $4\frac{1}{2}$ for that particular borrowing. Here was 2-percent money. They had been financed by REA for their distribution system but this was the first time they had come in for a generation loan.

I was questioning whether they were coming up to us just because they needed a loan or for 2 percent money. I was finally convinced that it was a necessity for them, or quite desirable, at least, in carrying out their overall responsibilities. That is an example of our getting together on questions that we didn't first see the same.

Mr. BARRY. Mr. Hamil, you feel that we are getting back every dollar that we lend out as well?

Mr. HAMIL. Our REA loan operation is in the best position it has ever been. We have only one delinquency on an electric loan of any consequence. I am very hopeful that we can work out a satisfactory solution to that. That is the record with 986 borrowers in the electric program. Every other loan, outside of two refrigeration loans, is current. We are doing the best we can to work the delinquent situations out, Mr. Chairman. We are trying to make loans that meet the area coverage principle of the act and at the same time see that these loans are paid back.

Our record is good. We have received all payments currently due, plus \$139 million and more paid ahead of schedule. I don't know of a borrower in the United States of America who has presented us with an application who has come under the act whose needs have not been fully met.

Mr. FASCELL. Mr. Chairman, may I inquire?

Mr. SCOTT, isn't it true that the REA administrative section works up all of the technical details on the criteria of the act and also the evaluation of the credit standing? That is their job, isn't it, on the loan applications?

Mr. SCOTT. Yes, they are expected to study every phase of a proposed loan.

Mr. FASCELL. Isn't it also true that whether or not you have this informal arrangement that the Administrator and his section of high-skilled and technically competent people could get the benefit of your advice and judgment any time they wanted to?

Mr. SCOTT. That is right.

Mr. FASCELL. Both you and Mr. Hamil have testified that all loans under this informal arrangement which have met the criteria, the requirement of that arrangement, have been made, notwithstanding that there has been some kind of review procedure, isn't that true?

Mr. SCOTT. That is right.

Mr. FASCELL. And that in truth and in fact the Administrator of REA has actually made loans as such; and that he has approved or disapproved all loans that have come before the REA. It is his final decision.

Mr. SCOTT. Well, every loan that he recommended was made. There have been some applications that have been reworked.

Mr. FASCELL. Right.

Mr. SCOTT. But every loan that he has recommended, and felt that he ought to approve, he has approved.

Mr. FASCELL. All right, sir, now what is wrong, then, or what is the fear if we take this same procedure which we just discussed, this same procedure, and put that in the law?

Mr. SCOTT. Well, it is a matter of the Secretary's responsibility over the program.

Mr. FASCELL. The Secretary is still going to have the same responsibility. It isn't going to change a thing about his responsibility. We don't derogate from his responsibility one iota or do we derogate from the responsibility that you have nor do we derogate from the responsibility which Mr. Hamil has. All we are saying is we are putting into the law that the REA Administrator has final authority to approve a loan. That is all. There seems to be some question as to whether or not the authority you say he has is in the law. There are some people, therefore, who want to write that authority into the law. What is wrong with doing that?

Mr. SCOTT. There is no question in my mind and I am sure there is none in Mr. Hamil's mind either, but what the Secretary of Agriculture now has the authority to take final action on a loan.

Mr. FASCELL. Yes, sir.

Mr. SCOTT. And as long as he has any responsibility over the affairs of this agency, it is the view of the Department that he ought to retain that authority to take action if he ever decided to do so.

Mr. FASCELL. That is obviously an extreme contingency because both of you gentlemen have said it hasn't been necessary in any case since you have been in office, or the Secretary has been in office; and that you have relied entirely on the judgment of the Administrator.

If it is good in one case, it ought to be good in the other. I can't see any difference, frankly, and I don't know what you are trying to protect against.

Mr. BARRY. Will the gentleman yield?

Mr. FASCELL. Certainly.

Mr. BARRY. What if it were the reverse, that the REA had sole authority and there was no supervision over his activities? Would that not be a greater danger to the dollars of the taxpayers? Here we have men who are bankers. The first duty of a banker is to protect the funds at his disposal. Here there is surveillance. The way it is proposed there would be no surveillance over it.

Mr. FASCELL. I think the gentleman is not quite correct. The Administrator would be responsible for the proper evaluation of his loans and he would be directly responsible. Whatever security or credit he would get would be there as far as the Government is concerned.

Mr. BARRY. The security might be there even though it might not be sufficient security for the loan.

Mr. FASCELL. No procedure in the world is going to guard against an irresponsible official nor can we legislate morality.

Mr. BARRY. You will not legislate morality, but you put a check upon the possibility of gross error.

Chairman DAWSON. You put a check on the checker.

Mr. FASCELL. I won't disagree with the gentleman. All I say is if this procedure is adopted, you will have the same check that you had before.

Mr. BARRY. It might be that the two men wouldn't be on good speaking terms at the time, they wouldn't have any need to talk to each other; if every action of this man were guaranteed by law final and absolute, there would be no reason why he would have to speak to this man. He could just say, "Mind your own business, I don't want to have anything to do to it."

Mr. FASCELL. He has already said many times and not just today, that if there were any doubt about what his decision was to be, he would quit, which is a pretty forthright statement.

Mr. BARRY. But that is a very basic difference, sir, than the matter here.

Mr. FASCELL. I can't see any difference. In other words, he is saying, "Look, I run the REA and I give it my best judgment and dedication and if anybody questions that, you can get somebody else." That is what he is really saying.

Mr. BARRY. He is saying that on a matter of policy with regard to a particular loan; he is not saying that with regard to policies of loaning in general.

Mr. FASCELL. The Administrator doesn't have anything to say about policies in general; that is fixed by law.

Mr. BARRY. The Secretary has. We have talked about it in the—

Mr. FASCELL. No, the Secretary doesn't, either; the policy is fixed by law.

Mr. BARRY. Well, I show you here—on the other hand, if this phrase means at all what it says—

decisions as to the policies, procedures, and personnel, which are the vital indispensable ingredients of the loan process, are to be made solely by the Administrator—

then the effect of the enactment of these proposals would be to remove REA substantially in its entirety from the general supervision and direction of the Secretary. That would presuppose to me that it now exists with the Secretary.

Mr. FASCELL. That is a different bill entirely. One of the bills might attempt to do that, but that is not the main provision we are discussing which is the question as to whether or not the Administrator should have absolute loan authority. Besides under the present procedure or under the new procedure as proposed by the bill, all the Secretary would ever do is substitute his judgment and discretion for that of a man who is charged by law with the responsibility. You are never going to change that unless you change the law. He has the direct responsibility. If Scott doesn't like it as a matter of financial policy, as a matter of political philosophy, all he can do is substitute his discretion for facts and criteria fixed by law. He can apply an outside force to this discretion.

What Mr. Hamil says is if that ever comes about, he is going to quit.

Mr. BARRY. I think most administrators would be in the same position.

Mr. FASCELL. Certainly. I would, too. That is the whole purpose. The whole purpose is are you going to make it possible to eliminate

the possibility of applying these forces of policy judgments, substituted discretion, when you have an act, the responsibility for which and the discretion over which is fixed by law in an individual?

Mr. BARRY. It seems to me you are saying if the president of a company goes before his board of directors—

Mr. FASCELL. I am not saying that at all.

Mr. BARRY. And the board of directors or the chairman doesn't agree with what he wants to do, he resigns.

Mr. FASCELL. No, sir; that is not an analogous situation at all.

Mr. BARRY. It may not be totally analogous, but it is somewhat analogous. At least the present arrangement is they now have the advice of a man who is not only engaged in agriculture, but is also engaged in other lending programs, in the Department of Agriculture, so there is a lot he can gain from that.

Mr. FASCELL. If this proposal were put into effect, or one of them, and the Administrator had the sole discretion on the responsibility as to loans, he would still be in the chain of command for administrative purposes, personnel purposes, policy pressures or whatever else the Secretary wanted to do. The Administrator would still have the advice and counsel of Mr. Scott. He would still be under the Secretary of Agriculture. There would be absolutely no change except in one case. You would remove this informal procedure which all of us have agreed is really not necessary anyway and vest final loan authority in the Administrator.

Mr. BARRY. Wait a minute, you say we all agree it is not necessary. I don't think that is a correct statement. It is clear, there have been several witnesses who have testified that it is important, and certainly the distinguished colleague from Ohio made it crystal clear with regard to his own observations in his business why it is advisable and certainly my background is totally in business and I have benefited something from REA myself in a project which I am engaged in out West, but I don't believe for one instance that the divorcement of the two functions is desirable here. I think these two men here working together are bound to do a better job than one man working alone.

Mr. FASCELL. I don't know that that is always true as a general situation, but I would point this out to you only and I think the record is basically clear, that in order to do what these gentlemen are now doing, they don't have to have any specific informal arrangement to do it.

The REA Administrator is a member of the Department of Agriculture, subject to the jurisdiction of the Secretary, and if the Secretary wants to review every single application, he can do so. Question: Why was it necessary to specifically detail an informal procedure? The answer is also obvious. If you have the power and authority to do it, why do you specifically do it? It has been decided to specifically do it by an informal arrangement. I will turn the same proposition around and say: if the facts are such that the Administrator is in truth and in fact making all of the loans now, what is wrong with just saying so in the law?

Mr. BARRY. Mr. Fascell, if we shape this thing in accordance with the price adjustment boards which have to do with what companies they renegotiate throughout the Nation having to do with defense business, I believe that the provision there reads that those corpora-

tions or companies having less than \$1 million worth of business with the Government are not subject to renegotiation.

Mr. FASCELL. Is that a law?

Mr. BARRY. It is a law. The same provision could be stated here negatively, that any loans not over a million dollars need not be brought to the Secretary and then that would presumably satisfy you. It is just because there seems to be some informal directive that they are brought into many——

Mr. FASCELL. No, sir, I have no quarrel with that at all. I am not concerned about the procedure as such. All I am saying is if in truth and in fact the Administrator actually makes all of the loans, what is wrong with saying that he shall do so in the law, that is all.

Mr. BARRY. Well, I think that is——

Mr. FASCELL. That is the way they operate. Both of them have testified that is what they do. If there seems to be some question about the Administrator's authority in the matter, why not just say so in the law, that he does have that authority? They are both agreed that he does. Nobody in the Department said he doesn't.

Chairman DAWSON. Any other questions?

Mr. INDRITZ. Mr. Scott, in the middle of your statement you described a new arrangement for review procedure and it seems to me that the description you made in your statement is inconsistent with that made in Mr. Hamil's statement. As I read your statement, and as I heard you say it, you indicated that you review all applications for generation and transmission loans over a million dollars, and all new telephone applications. Mr. Hamil described it quite differently. He said that you are reviewing all proposed supplemental loans over a million dollars and all loans to new borrowers. His description certainly covers a considerably different field than did your description.

Could you indicate which is correct so that the committee would know precisely what the review arrangement covers?

Mr. SCOTT. Well, let me ask Mr. Hamil if my reference isn't the current arrangement. I think maybe Mr. Hamil might have just been generalizing there in his testimony.

Mr. HAMIL. That is what I was doing. As a matter of fact, the discussion of loans between myself and Mr. Scott, in my opinion as the Administrator of this program, is an incidental matter. I don't consider it one of the major facets of the loan program at all. We are exchanging information back and forth on these propositions. In my opinion it has been beneficial to me as the Administrator and I am quite sure that it has given Mr. Scott a great deal of information about the rural electrification program that he as an official of the Department of Agriculture has found beneficial.

Mr. SCOTT. That is correct, it has been very helpful.

Mr. INDRITZ. In order that the committee may know precisely what arrangements you do have, could you supply for the record a copy of the present directive?

Mr. SCOTT. We don't have any directive.

Chairman DAWSON. It is just oral.

Mr. SCOTT. My statement sets forth the present arrangement.

Mr. INDRITZ. Thank you.

Chairman DAWSON. Thank you very much, gentlemen.

Mr. HENDERSON: Mr. Chairman, I would like to introduce these various and sundry statements into the record.

Chairman DAWSON. That will be the order.

(The statements are as follows:)

STATEMENT OF CLYDE T. ELLIS, GENERAL MANAGER, NATIONAL RURAL
ELECTRIC COOPERATIVE ASSOCIATION

Mr. Chairman and members of the Committee, I am general manager of the National Rural Electric Cooperative Association. This association is the service organization of the rural electric systems which are borrowers of REA. More than 90 percent of them are members. They serve about 4 million farms and other rural establishments in 45 State. All told, between 12 and 16 million people have electric light and power directly because of the service provided by these systems.

In view of the extensive hearings held last summer on the proposed legislation before you, I understand you are anxious to keep these hearings as short as possible. Therefore I shall touch only some of the high spots and refer to the considerable amount of testimony presented last year by about 25 rural electric representatives from several States. At that time, nearly 100 other cooperative representatives felt strongly enough about this matter to come to Washington for the hearings in order to underscore the need for some action such as was provided for in the legislation under consideration. Many rural electric leaders would be glad to come in to these hearings now and testify if you should think that to be necessary.

My appearance here today is to support H.R. 1321 which was introduced at the start of this season by Hon. Melvin Price. As you know, identical bills, or nearly so, have also been introduced in this session by Hon. George S. McGovern (H.R. 3029); by Hon. Gracie Pfost (H.R. 3192); and by Hon. Leonard G. Wolf (H.R. 4662).

The membership of our national association has taken a strong stand in support of this proposed legislation. The concern goes back many years—back to the time in 1953 when Claude Wickard was unceremoniously dumped out of the Administrator's chair after he had been given every assurance to his face that he was wanted to carry on the REA program as it had been. However, it was mid-summer 1957 that concern grew into real fear for the future of the program. What confidence our members had had in Secretary Benson evaporated as he moved in to usurp the authority of the REA Administrator and take over personal control of the agency. This feeling first found expression in our NRECA regional meetings in the fall of 1957.

Resolutions were passed at all 10 regional meetings which our membership held in the fall of 1957, protesting Mr. Benson's action, and urging congressional action to correct the situation. I would appreciate an opportunity to have these resolutions inserted in the record at this point.

This was not all; our members had more to say. At our national meeting held at Dallas on February 3-6, 1958, the membership unanimously passed a resolution which expressed fear that the REA would not continue to function with its old-time efficiency and effectiveness under the domination of the Secretary of Agriculture—domination that had never been authorized by Congress. I would like to ask the privilege of entering in the record that resolution, at this point.

Last fall, once again, at our regional meetings the membership of our association went on record in support of the legislation now before this subcommittee. I would like to make these resolutions a part of the record.

That is what has gone before; now for the present.

Within the last month, over 7,000 representatives of the rural electric systems gathered at the National Guard Armory here in Washington for the largest national annual meeting that we have ever held. At their business meeting on Lincoln's Birthday, just after an address by Speaker Rayburn, and 1 day after President Eisenhower spoke, the voting delegates unanimously passed another resolution urging the Congress to pass this specific legislation. I have a copy of this resolution and I would like to have it inserted in the record.

In addition to these actions which, as you note, have been taken repeatedly by the members of our association, many State groups have likewise gone on record strongly opposing what the Secretary has done to REA. They are urgently asking Congress to take remedial action, as quickly as you can. I have copies of some

of these resolutions and I would like to ask that these, too, be made a part of this record.

OTHERS ARE CONCERNED

Now let us turn to others who are concerned about the future of the REA program and who have been in a position to observe the program's progress, problems, and prospects. I wish to refer only to a few examples.

A number of Members of Congress in both the House and the Senate have studied the situation which the legislation you have before you is intended to correct. I believe it is significant that a great many of them have spoken out in support of the legislation.

Three weeks ago yesterday morning, Speaker Rayburn told the delegates at our annual meeting, and I quote: "We in the Congress * * * intend, if fighting will do the job, if using reason and good common sense will do the job, to keep rural electrification on the track it has been running on for nearly 25 years.

"We do not believe that this should be administered by any Cabinet officer, but we believe it should be administered by an administrator appointed for the purpose for which he should be, and one whose vital interest is in this program.

"And we are going to, in my opinion, pass a law at an early date that will do that very thing."

That is what Speaker Rayburn said 3 weeks ago about the legislation you are now considering before this committee.

Let us turn to another eminent figure in the Congress: Senator Lyndon B. Johnson, the majority leader in the Senate, who stated there, and I quote:

"They want to do three things," the Senator told the rural electric representatives. "Raise the interest rates, send you down the chute to the Wall Street bankers, and be sure that Secretary of Agriculture Benson is leaning over the Administrator's shoulder to see that the co-ops don't get a fair shake of the dice. They are not going to do any of these three things.

"We are not going to raise the interest rates. We are not going to require you to go to Wall Street for your money. And we are going to pass Hubert Humphrey's bill that gives the REA Administrator the power Congress intended him to have, and that he ought to have."

That was Senator Johnson's statement. As you know, the Humphrey bill and the Price bill are identical.

The two gentlemen I have quoted are, of course, Democrats. However, many Republicans, too, have spoken out against Benson's actions with regard to REA. This is not a partisan issue; it is an REA issue.

Let me quote from Senator Young of North Dakota, who spoke on the subject of rural electrification in Des Moines a few months ago:

"One of the major reasons why the Rural Electrification Administration has been so successful in meeting farmers' needs is because it has always enjoyed considerable freedom of action in making loans, and otherwise. There is no justification for limiting the power and jurisdiction of the administration of REA. I don't know abuses that would warrant such action."

What these congressional leaders who are long-time friends of REA have to say can be amplified by many other statements. They are all concerned about what has happened to REA as a result of Secretary Benson's action. Then add to this the resolutions that I cited earlier, because they represent the judgment of rural electric managers, directors, and members from every part of the country, and you have a strong and widespread expression. You are hearing the voices of leaders in Government and of thousands upon thousands of farmers and rural people who are in the program. They are all deeply concerned or they would not have taken the action they did or made the statements that they have.

Rural electrification needs an aggressive and sympathetic REA. This is virtually as important today as two decades ago.

In the first place the program is confronted by the challenge of an ever-growing demand for power from the farmers and rural people who are the consumers. The use of power is doubling every 5 to 7 years. This is tremendous—even for the fast-growing electric industry.

Keeping up with such a demand puts a heavy load on the rural electric systems, as it would any business. But the load is particularly heavy due to the many unique handicaps the program has imposed upon these systems. I will list them briefly to illustrate the point and to show why it is important to have the kind of REA we have had.

(1) The act prohibits us from using REA loans to serve any of the most profitable part of the power industry market; i. e., we are prohibited from going into the thickly settled villages and towns of over 1,500 population.

(2) The act prohibits us from serving what is usually the best of the rural power market; i. e., we are prohibited from serving anyone already served even where we could do it more economically than anyone else. After the act was passed, but before we were able to get underway, the profit power companies, with their spite-line and cream-skimming tactics, took the best and left the rest to us.

(3) The law requires us to serve all the unserved in our areas, whether they pay their own way or not. And many of them don't, at present levels of consumption. This requirement of Congress was a social decision, not an economic decision.

(4) The act requires repayment of REA loans—plus interest. This we are happy to do, but the only way we can do it is to add onto the consumer-member's power bills proportionate amounts to equal the required repayment to Uncle Sam. This constitutes an extreme burden because, by comparison, the power companies never liquidate their indebtedness but continue to float it in perpetuity.

(5) Our rural construction is more exposed to the hazards of the elements than city construction.

(6) About 85 percent of our systems still don't have their own complete source of power supply and nearly 50 percent of them are at the mercy of usually one, often unfriendly, source. There is no open market in wholesale power from which we can purchase our supply.

(7) In most States the legal situation, our economic disadvantages, and the bias of regulatory commissions encourage the power companies to raid our territory and take our larger users, while we are prohibited legally from doing the same to them, even if we could do it otherwise. The spider bites, but can't be bitten.

(8) Because we must be co-ops or public power districts—whose incentive is service, not profit—we apparently must stay small by comparison with the ever-merging profit company giants. And yet we can stay out of the merger trend and survive only by merging more of our common services. We have not yet devised enough ways to pool our services to cut costs and otherwise improve our operations.

(9) Because of our small size, our comparatively low average use, and our predominantly rural character, we have neither a favorable diversity of electric use nor a relatively good load factor.

(10) And because of both our small size and our other economic disadvantages, we don't have the necessary funds for experimentation, research, and studies which might help us to more efficiently overcome these handicaps—or even to stand off the mass propaganda and lobbying campaigns of our opponents while we solve our other problems.

(11) And finally, we carry the burden of simultaneously protecting the REA Act against Administration attacks and obtaining from Congress adequate new loan funds, even as we repay our existing loans.

Potent evidence that these handicaps could constitute back-breaking burdens is contained in two significant facts:

(1) our systems still have less than 20 percent member equity, and

(2) the trend in the number of systems failing to make debt service is not good.

More systems each year do not take in enough revenue to cover operating expenses, set aside a proper amount for depreciation and replacement and make their scheduled REA loan repayments. So, in order to make their required repayments to REA, they have no choice but to fail to set aside adequate depreciation reserves. If this trend is not reversed, it could be fatal, as thousands of old farm telephone mutuals across the land could testify.

Through the years we have been fortunate in having capable Administrators in REA. President Eisenhower has appointed two of them, both able men capable of carrying out the intent of the Congress. This they did until about a year and a half ago when the Secretary of Agriculture moved in.

In my testimony before this subcommittee on last year's Price bill last June, I described what had happened in REA to bring about the grave threat that now hangs over the program. I pointed out that many members of Congress had expressed a fear of this development at the time the Reorganization Plan

No. 2 was under consideration in 1953. They were apprehensive about giving the Secretary of Agriculture the authority to reorganize REA. For example, Senator Russell, Senator Murray, and Senator Johnson back in 1953 expressed their concern that the Secretary of Agriculture, if given the power, would some day make changes in the REA program, and the Congress would learn about it after the deed was done.

This, of course, was just exactly what happened when Secretary Benson took unto himself the loan-making powers that for more than 20 years had been exercised by the Administrator of the REA.

I will not now take the time to review the chronology that led up to the secret order issued in May or June 1957 which stripped the Administrator of the powers he had previously exercised to make loans without interference. I outlined that in detail to this committee last year.

THE MASTER PLAN

This Benson secret order fits right into a master plan that in my opinion has for its objective the ultimate destruction of the REA program as we have known it and seen it function so successfully during the last 24 years. All this is spelled out step by step in my statement of last June. Because this statement is even more to the point today than it was then, I should like to request, Mr. Chairman, that my statement before this committee last year be inserted in the record as a part of my testimony on this occasion.

This will make it unnecessary for me now to review any more of the background other than to make these two points:

First, not a single statement that I included in that presentation last June has been successfully challenged by Secretary Benson or any of his lieutenants.

Second, actions that we have seen since that time and documents that have come to light since that time, all tend to substantiate everything I said.

Take for example, last summer's ruling by the Comptroller General who was appointed by President Eisenhower to head the General Accounting Office after he had served on the Atomic Energy Commission. I believe it is significant that he was on the AEC long enough to help launch the ill-fated Dixon-Yates scandal. Last summer as Comptroller General this same man tried to rewrite the REA law in a way that could have stopped all rural electrification growth in its tracks. He went so far in fact that even Secretary Benson found it too raw and revolted. It is to Secretary Benson's credit that he joined with us in protesting the Comptroller General's ruling.

I believe that it is pertinent to your consideration of REA and its present situation that you have available to you the Comptroller General's ruling of July 21 of last year as well as our lawyer's analysis of this treacherous document. Therefore I would like to submit these documents for the record.

The Comptroller General's REA ruling, however, is just one of several developments during recent months that fits right into the master plan I sketched last June.

Mr. Chairman, and members of the committee, I am more convinced than ever of the existence of a master plan for the destruction of REA. What is even more to the point, there is in the Department of Agriculture today a detailed blueprint that outlines plans, names, places, and dates as to how parts of the master plan are to be sold to the co-ops, to the Congress, and to the country.

What significance does this have regarding the legislation that you have under consideration? Just this: One of the steps in the master plan is the subjugation of the REA Administrator. This step has been carried out. For many months now the able REA Administrator has been a captive Administrator. He will deny this; he has to deny it. But he must admit to the facts that make it so. He did in fact admit it to them before the Senate committee in hearings on the companion Humphrey bill last year.

The reason is Secretary Benson has moved into full control as far as the REA Administrator is concerned. The most outstanding evidence of this, of course, is this: the Administrator no longer can make any major loan without having prior approval from the Secretary's Office. Please keep in mind that the making of loans used to be the Administrator's only reason for existence—or certainly the principal reason.

The REA Administrator now has to be rescued from the domination of the Secretary of Agriculture if the program is not going to be seriously impaired.

The Price bill, I believe, will correct this situation—as nearly as it can be corrected by law.

The Secretary's move against REA has put fear into the hearts of our people. Those of you who heard their testimony here last year will recall their state of mind.

Enough has already happened, we feel, to justify our apprehensions, although all of us recognize that the congressional spotlight this subcommittee and its counterpart in the Senate turned on many months ago has kept Benson and company in check.

FEAR FOR THE FUTURE

However, we don't find any comfort in that, because we recall how Secretary Benson in 1953 assured Congress that he would make no major changes in REA without first consulting with Congress and with citizen organizations most concerned. Despite this assurance, he went ahead with his changes when the time suited him. He did not keep his word.

What will Benson do after you have adjourned this session of Congress?

Our people are really afraid of what can happen if safeguards are not installed now. It's the future that frightens them.

We all remember the wise old saying that the time to lock the barn door is before the horse is stolen. Well, a large part of the horse is already out, but it can still be recovered.

Let us curb the Secretary's power over REA loans before anything more drastic happens to injure the program.

In my testimony last year I described in detail why and how the Secretary of Agriculture clipped the Administrator's loan power apparently in order to stop a single, important loan. The loan was stopped. It has not been made to this day. I have heard all kinds of excuses as to why the loan has not been made. However, the fact remains that it has not been made.

Last year in my testimony I made this statement: "I am convinced that the Indiana co-ops will never build that generation and transmission system as long as Secretary Benson is the de facto Administrator of REA."

Now, I repeat that prediction.

The stopping of this loan was not the only damage that the Secretary's action brought about. The following developments, I believe, are equally important and will have much more far-reaching effects upon the program's future:

1. The weakening of congressional control over REA.
2. The injection of a new and unexplained element into the loan procedure, causing—as a minimum—uncertainty, fear, and inevitable delay.
3. The exposure of the REA program to political manipulation.
4. The loss of direct access by the co-ops to the real Administrator, and his inability to make loan commitments on the spot—either in the field or in his office.
5. The creation of additional and unnecessary redtape, and duplication and bureaucracy.

These developments in REA are bound to take their toll. And they would take this regardless of who is Secretary of Agriculture. My statements regarding the need for maintaining the REA loanmaking power in the hands of the Administrator, where Congress put the power, have nothing to do with Mr. Benson personally, the color of his hair, or the brand of his politics. I believe it is important to have the Administrator—who is appointed by the President and confirmed by the Senate—serve as the real Administrator, whether you have Benson, Braunan, Wickard, or the man who one day will succeed Benson.

WHAT THE PRICE BILL DOES

The legislation that you have before you, in my opinion, will reestablish what I am personally convinced has been Congress' intent during the last 20 years: To have the REA Administrator empowered to approve or disapprove all REA loans without outside political interference.

The Price bill declares: " * * * any action of the Administrator of the Rural Electrification Administration with respect to the approval or denial of loans authorized to be made under the provisions of the Rural Electrification Act of 1936, as amended, shall be the sole responsibility of the Administrator."

That is all the bill does. It does not take REA out of the Department of Agriculture. It does not set up REA as a new and separate agency. It simply declares that the REA Administrator's power to make individual loans shall not be interfered with by anyone. This is not an extreme approach but a moderate one.

In the original REA Act, Congress put final authority for individual loans in the hands of the Administrator, an official appointed by the President for a 10-year term, confirmed by the Senate. This provided for good, efficient administration because it kept decisions that should be made on the basis of legal, economic, and technical standards from being affected by political considerations. Under the Price REA bill, the Secretary of Agriculture will retain overall direction of REA as an agency of the Department, but these will be in areas that the Congress can and does review regularly—as, for example, the budget. Under the bill, however, the Administrator will be solely responsible for decisions about individual loans.

We urge this committee and this Congress to pass H.R. 1321 with all speed. We are convinced that to do so will mark the restoration of a successful REA program. The REA program has enjoyed phenomenal success. Farm electrification has gone from 10 percent to more than 95 percent. Three billion dollars in sound loans have been made and already \$1 billion have been paid back to Uncle Sam. What the Price bill will do is restore REA to the kind of sound operation that during the last 24 years achieved the record of which we are all so proud.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, July 21, 1958.

The Honorable the SECRETARY OF AGRICULTURE.

DEAR MR. SECRETARY: Reference is made to our letters of October 28, 1957, and April 14, 1958 (B-134138), to you, concerning a loan of \$11,173,000 made by the Rural Electrification Administration (REA) to the Central Iowa Power Cooperative (CIPCO), part of the proceeds (\$120,000) of which was to be used to enable CIPCO to furnish power to a member cooperative for resale by the member to Lehigh Sewer Pipe & Tile Co. (Lehigh), Lehigh, Iowa.

The record before us discloses that the loan in question was approved by the Acting Administrator, Rural Electrification Administration, on September 9, 1955, for the purpose of financing the construction by CIPCO of certain electric generation and transmission facilities including one 44,000 kilowatt generating unit, 128 miles of 115 kilovolt transmission line, 176.5 miles of 34.5 kilovolt transmission line, and related substation and switching facilities, for the purpose of furnishing electric energy to CIPCO's eight REA-financed member cooperatives. Included in the 176.5 miles of 34.5 kilovolt transmission line were 20 miles designated the Lehigh Tap, the purpose of which was to enable CIPCO to furnish one of its member cooperatives, Greene County Rural Electrification Cooperative (Greene County), a supply of power for a large powerload in the vicinity of Lehigh, Iowa. The large powerload needed in the vicinity of Lehigh apparently was for a new building or plant that Lehigh proposed to construct near an existing plant it owned. The cost of this 20 miles of line was estimated at \$120,000.

Your Department, by letter dated December 3, 1957, advised us that the loan was made pursuant to the Rural Electrification Act of 1936, as amended, 7 U.S.C. 901-924, and in accordance with the administrative findings required by section 4 of that act (7 U.S.C. 904). This latter code section provides, in pertinent part, as follows:

"The Administrator is authorized and empowered * * * to make loans for rural electrification * * * for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas *who are not receiving central station service* * * *." [Emphasis added.]

Section 2 of the same act (7 U.S.C. 902) also contains an unserved person or central station service limitation.

The record discloses that a plant of Lehigh located on a tract of ground outside the town of Lehigh, Iowa, was being furnished 25-cycle electric service by the Fort Dodge, Des Moines, & Southern Railway Co. (the predecessor of the Iowa-Illinois Gas & Electric Co.) at the time the loan to CIPCO was made. Prior to the making of the above-referred-to loan Lehigh decided to build another building or plant on the same tract of ground approximately 160 feet away from its existing plant and operate both plants or buildings, apparently as separate entities. Lehigh contemplated using machinery in the new plant which would require 60-cycle electric service. It appears that by letter dated May 19, 1955, the railway company offered to supply 60-cycle electric service to Lehigh. Further, it appears from the record that the railway company again, orally, on September

28, 1955, offered to furnish Lehigh 60-cycle service for its proposed new plant and confirmed such offer in writing by letter dated October 4, 1955. Lehigh, however, apparently did not desire to accept such service from the railway company on the ground that the rate quoted by the company would prevent Lehigh from producing its products at a competitive price. Lehigh therefore entered into negotiations with Greene County for 60-cycle service and subsequent to the date of the above-referred-to loan entered into a contract with Greene County for such service.

Greene County in October 1955, in accordance with its REA loan agreements, submitted for REA approval a contract for electric service between it and Lehigh. Also, CIPCO submitted plans and specifications providing for construction of the Lehigh tap to serve Greene's new substation. It appears that the proposed electric service to Lehigh was the principal justification for the transmission line tap and new substation. As indicated above the funds (\$120,000) for construction of this line were included in the \$11,173,000 loan made by REA to CIPCO on September 9, 1955. It appears from the record that the power contract was returned to Greene without approval in November 1955, and that REA approval to construct the transmission line and substation was also withheld. Apparently REA withheld approval of the power contract and construction of the Lehigh tap on the ground that Lehigh was already receiving "central station service" from the railway company, since, as indicated above, the record discloses that Lehigh at its existing plant was receiving 25-cycle service from that company.

In April 1956, Greene County and CIPCO again requested approval of a contract for electric service between Greene County and Lehigh, and apparently REA approval to use \$120,000 of the loan funds to construct the Lehigh tap. It further appears from the record that the Greene County-Lehigh power contract was approved in June of 1956 together with the approval of the proposed construction of the Lehigh tap. The basis for this approval is explained by your Department in a letter to us dated May 5, 1958, signed by Mr. K. L. Scott, Director, Agricultural Credit Services, as follows:

"A study of the debates in Congress and the committee hearings indicates that this provision was inserted because of a legislative intent to exclude loans for the purpose of paralleling existing systems and thus creating competition with established utilities. * * *

* * * * *

"* * *. It seems clear from the legislative history that the intent of the limitation was to prevent loans that would create federally financed competition with existing utility enterprises. * * *

"Where the effect of a proposed loan, regardless of its essential purpose, would be to substitute a competitive REA-financed service to persons already served, the loan may not be made. For example, it is my opinion that a competing line could not be financed even though it were only a small part of a system designed to reach unserved persons and even though the project could not properly be developed without such competing line. * * *

* * * * *

"In the above analysis I have endeavored to delimit and point the issue by reference to situations which fall clearly within the implied prohibition of the clause here under discussion: (1) The financing of facilities which compete directly with existing business, *regardless of the fact that such competing facilities might contribute materially to the construction of a system to serve unserved persons: * * **" [Emphasis supplied.]

Also, in this same connection, note the following statements made on the floor of the House and Senate during debate on the bill which became the Rural Electrification Act of 1936, as they appear in the Congressional Record, volume 80:

"Mr. McNARY. I have my own idea as to the interpretation and definition of the expression 'electrification of rural areas not receiving central-station electric light and power service.' What interpretation does the Senator place upon that language? Could he illustrate it?

"Mr. NORRIS (author of the bill). That means, as I understand, and as I think the present administration is now doing, *that there will not be set up an organization and money loaned to it for the purpose of electrifying a rural area which is now supplied.* There are now, of course, a large number of rural

districts already supplied with electricity from central power stations. * * * [Emphasis added.]

"Mr. McNARY. We probably are together generally, but under the language used, it seems to me, *where a plant is now in existence which is adequately supplying a certain area* with electricity none of the money provided by the bill could be used for that purpose. [Emphasis added.]

"Mr. NORRIS. That is as I understand it.

* * * * *

"Mr. McNARY. I think we want a definite meaning fixed, because I think it is an important proposition. The prohibition would relate to a central station furnishing light and power in an area that is now enjoying adequate service. Is that the Senator's interpretation?

"Mr. NORRIS. Yes. (80 Congressional Record 2751, pt. 3.)

* * * * *

"Mr. NORRIS. The Senator says 'come in competition.' They would not come in competition with farms already supplied. They might come in competition with the central power station.

"Mr. KING. That is not my question.

"Mr. NORRIS. There is no intention of going into a farming community which is already supplied with electric current and forming farm organizations there and having them built up to go into competition, as the Senator suggests, with farmers who are already getting their electric current from a central station (80 Congressional Record 2752, pt. 3.)

* * * * *

"Mr. KING. * * * *I may say that my understanding of the bill was that its primary and only purpose was to take care of farmers who did not have electrical facilities.* [Emphasis added.]

* * * * *

"Mr. WALSH. That infers, of course, that there is no competition with any existing private or municipal plant.

"Mr. NORRIS. Yes.

* * * * *

"Mr. WALSH. That is what I understand to be the main purpose of the bill; that in rural sections where private enterprise has not undertaken to furnish light or where a municipality has not done so, there will be opportunities given for groups of individuals, or, as the Senator says, in some cases a town or municipality itself, to set up in such rural sections units for lighting purposes. (80 Congressional Record 3305, 3306, pt. 3.)

* * * * *

"The findings and determinations made by REA with respect to the use of loan funds in this case are summarized in an affidavit, copy of which is enclosed, filed in the United States District Court for the District of Columbia by Fred H. Strong, Deputy Administrator, REA. Mr. Strong's affidavit states in part that 'an administrative determination was made, pursuant to 7 U. S. C. 904, that Lehigh, at its new plant, was not receiving central station electric service.' *It thus appears that REA did not base its determination on the nonavailability of power from another supplier, but, as reflected in Mr. Strong's affidavit, on the fact that the new plant was a person not receiving central station electric service.*" [Emphasis added.]

It appears from the Department's letter to us dated December 3, 1957, that the determination that Lehigh's so-called "new plant" was a person not receiving central station service was based on certain facts presented by Greene County and CIPCO to the effect that the "proposed contract contemplated service not to the existing Lehigh plant nor to an extension of or addition to the existing plant, but to a completely new, separate and independent plant." Moreover, your Department contends, in effect, that even if Lehigh is considered a single person with respect to its old and new plan, at the time the loan was made, September 9, 1955, an administrative finding on the assumed facts, that Lehigh was not receiving adequate central station service from the railway would have been administratively justifiable and legally supportable. See your Department's above-referred-to letter of May 5, 1958.

It is clear from the above quoted provisions of section 4 of the Rural Electrification Act of 1936, as amended (7 U.S.C. 904), and also from section 2, that the Administrator has no authority to make a loan for the purpose of furnishing electric services to persons in rural areas who are receiving central station service. The question as to whether the basic purpose of a proposed loan in a particular case is to provide electric service to unserved persons in rural areas is a matter primarily for determination administratively after a thorough consideration of the pertinent facts and circumstances in the case in the light of the purpose and intent of the Congress in including the central station service limitation in sections 2 and 4. However, the Rural Electrification Act does not appear to make this determination final and conclusive.

It may be that literally accepted the terminology of section 4 (and section 2) is sufficiently broad to authorize a loan for the purpose of furnishing central station electric service to a person not receiving such service, even though the service is available to such person and that the effect of the loan will be to create competition with an existing private utility. However, in construing or considering the application of a statute it is permissible to look at its evident spirit and purpose as well as the strict letter of the law and the strict letter must yield to its evident spirit when this is necessary to give effect to the intent of the Congress.

The legislative history of the central station service limitation indicates that the limitation was included because of a legislative intent to exclude loans for the purpose of paralleling existing systems and thus creating competition for the established utilities. That this is the purpose of the limitation was acknowledged by a former Solicitor of your Department in Opinion No. 4506 dated November 24, 1942, appearing at page 498, Rural Electrification Planning, Hearing Before a Subcommittee of the Committee on Interstate and Foreign Commerce, House of Representatives, 79th Congress, 1st session on H.R. 1742. The Solicitor said in this opinion that—quoting from the opinion as it appears in the hearing:

"Mr. RAYBURN. May I say to the gentlemen that we are not, in this bill, intending to go out and compete with anybody. By this bill we hope to bring electrification to people who do not now have it. This bill was not written on the theory that we were going to punish somebody or parallel their lines or enter into competition with them. It was our thought that in the States where electricity is now generated and distributed the laws of that State would control the rates. *May I say further that the Rural Electrification Administration will have nothing whatever to do with the rates that may be fixed in these communities, for the simple reason that matter will be controlled by State law.*" [Emphasis added.] (80 Congressional Record 5283, pt. 5.)

While the above statements (except for Mr. Rayburn's) may have been made in connection with the central station service limitation in section 2 of the act, the same limitation appears in section 4. Thus, the quoted statements would appear equally applicable to explain the intent of the limitation as used in both sections. Also, while the language of section 2, as enacted into law, is somewhat different from the language of the section at the time the above statements (except for Mr. Rayburn's remarks) were made, the statements would still appear to be for application.

It is clear from the above-quoted statements that the purpose of the central station service limitation was to exclude loans for the paralleling of existing systems or creating competition with existing facilities by prohibiting the use of loan funds for construction of transmission lines and substations to furnish power to an area already served by private power companies when such companies are willing to provide adequate central station service to persons within the area who are not tied to the powerlines.

As indicated above Lehigh was receiving central station service at its existing plant and apparently desired a modification or adjustment of that service for its proposed new building or plant. The power supplier furnishing the central station service to the existing plant offered to furnish adequate central station to Lehigh' proposed new plant located approximately 160 feet from its existing plant. It appears that this offer was first made prior to the date (September 9, 1955), REA approved the \$11,173,000 loan to Cipco and, of course, prior to the date REA determined Lehigh at its new plant was a person not receiving central station service. In view of these facts the approval of the use of \$120,000 of the

loan in question for construction of the Lehigh tap had the effect of making a loan of \$120,000 for the purpose of paralleling an existing power system and creating competition with an existing facility. As indicated above the only reason Lehigh refused to accept electric service from the railway company was because Lehigh felt that the rate quoted by the company would prevent it (Lehigh) from producing its products at competitive prices. However, your Department advised us in the letter of May 5, 1958, "The rate at which service is offered is, of course, not a determining factor."

Since it is clear from the legislative history of the central station service limitation that the purpose of the limitation was to exclude loans which would have the effect referred to above it is our view that the Rural Electrification Administration disregarded the evident spirit and purpose of the Rural Electrification Act when it authorized the use of \$120,000 of the loan funds for construction of the Lehigh tap.

However, aside from the legislative history of the central station service limitation we are of the view that where a new building or plant (of an industrial company) is located approximately 160 feet from an old building or plant of the same company on the same tract of ground and the old plant is receiving central station service from a power supplier who has offered to furnish adequate central station service to the new plant, there appears little basis for considering the new plant a person not receiving central station service so as to authorize the making of a loan, or the use of loan funds, under section 4 of the Rural Electrification Act for the purpose of constructing facilities to furnish electric service to the new plant.

In view of the foregoing there appears ample justification for holding that the portion of the loan made for the construction of the Lehigh tap was not authorized and steps should be taken by your Department to reduce the \$11,173,000 loan by the amount advanced to construct the Lehigh tap and to recover immediately from Cipeco that amount, i.e., the amount advanced to construct the Lehigh tap. In the event such action will not be undertaken and you so advise, we will be required to report the matter to the Congress.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION I

The following resolution was adopted at the regional meeting held in Philadelphia, Pa., September 30 to October 1, 1957, by rural electric systems operating in the States of Delaware, Maine, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, North Carolina, Vermont, and Virginia:

"REORGANIZATION OF REA

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

"*Resolved*, That we are vigorously opposed to any reorganization of REA which will allow partisan control; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan, political agency; and be it further

"*Resolved*, That as soon as the Congress reconvenes in January that a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished on a nonpartisan basis as it was prior to the passage of the Reorganization Act."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION II

The following resolution was adopted at the regional meeting held in Atlanta, Ga., October 17-18, 1957, by rural electric systems operating in the States of Georgia, Florida, and South Carolina :

"REORGANIZATION OF REA

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in his letter to Senator Humphrey dated August 30, 1957, Secretary Benson asserts that he has the authority to "review, reverse, amend, annul, or affirm" all proceeding in REA or other agencies: Now, therefore, be it

"Resolved, That we are vigorously opposed to this recent action by Secretary Benson which threatens to make REA a partisan, political agency; and be it further

"Resolved, That as soon as the Congress reconvenes in January, a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished as it was prior to the passage of the Reorganization Act."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION III

The following resolution was adopted at the regional meeting held in Mobile, Ala., October 14-15, 1957, by rural electric systems operating in the States of Alabama, Mississippi, Kentucky, and Tennessee:

"REORGANIZATION OF REA

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA which will allow partisan control; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan, political agency; and be it further

"Resolved, That as soon as the Congress reconvenes in January, a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished on a nonpartisan basis as it was prior to the passage of the Reorganization Act."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION IV

The following resolution was adopted at the regional meeting held in Toledo, Ohio, September 16-17, 1957, by rural electric systems operating in the States of Ohio, Indiana, Michigan, and West Virginia:

"REORGANIZATION OF REA

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA: we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan, political agency; and be it further

Resolved, That as soon as the Congress reconvenes in January that a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished as it was prior to the passage of the Reorganization Act."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION V

The following resolution was adopted at the regional meeting held in Springfield, Ill., October 10-11, 1957, by rural electric systems operating in the States of Illinois, Iowa, and Wisconsin:

"REORGANIZATION OF REA

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA which will allow partisan control; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

Resolved, That as soon as Congress reconvenes in January a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished on a nonpartisan basis as it was prior to the passage of the Reorganization Act."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION VI

The following resolution was adopted at the regional meeting held in Minneapolis, Minn., October 31-November 1, 1957, by rural electric systems operating in the States of Minnesota, North Dakota, and South Dakota:

"REORGANIZATION OF REA

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA: we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan, political agency; and be it further

Resolved, That we urge that as soon as the Congress reconvenes in January that a bill be introduced and passed exempting REA from the Reorganization

Act of 1953 and that this same bill stipulate that REA is to be reestablished as it was prior to the passage of the Reorganization Act."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION VII

The following resolution was adopted at the regional meeting held in Cheyenne, Wyo., September 23-24, 1957, by rural electric systems operating in the States of Colorado, Kansas, Nebraska, and Wyoming:

"REORGANIZATION OF REA

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957 the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency, and be it further

"Resolved, That as soon as the Congress reconvenes in January that a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished as it was prior to the passage of the Reorganization Act."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION VIII

The following resolution was adopted at the regional meeting held in New Orleans, La., September 19-20, 1957, by rural electric systems operating in the States of Oklahoma, Arkansas, Louisiana, and Missouri:

"REORGANIZATION OF REA

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA; and

"Whereas in his letter to Senator Humphrey dated August 30, 1957, Secretary Benson asserts that he has the authority to 'review, reverse, amend, annul, or affirm' all proceedings in REA or other agencies: Now, therefore, be it

"Resolved, That we are vigorously opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

"Resolved, That as soon as Congress reconvenes in January, that a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished as it was prior to passage of the Reorganization Act."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION IX

The following resolution was adopted at the regional meeting held in Portland, Oreg., November 4-5, 1957, by rural electric systems operating in the States of Washington, California, Idaho, Montana, Oregon, Utah, and Alaska:

"REORGANIZATION OF REA

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957 the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA which will allow partisan control; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

"Resolved, That as soon as the Congress reconvenes in January a bill be introduced and passed exempting REA from the Reorganization Act of 1953, and that this same bill stipulate that REA is to be operated on a nonpartisan basis as it was prior to the passage of the Reorganization Act."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION X

The following resolution was adopted at the regional meeting held in Dallas, Tex., November 9-10, 1957, by rural electric systems operating in the States of Texas, Arizona, and New Mexico:

REORGANIZATION OF REA

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary failed to consult Congress or other interested groups requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA which will allow partisan control; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

"Resolved, That as soon as the Congress reconvenes in January a bill be introduced and passed exempting REA from the Reorganization Act of 1953, and that this same bill stipulate that REA is to be on a nonpartisan basis as it was prior to the passage of the Reorganization Act."

RESOLUTION

Adopted at the 16th annual meeting of the National Rural Electric Cooperative Association, Dallas, Tex., February 3-6, 1958

REORGANIZATION PLAN No. 2, U.S. DEPARTMENT OF AGRICULTURE

Whereas the current Secretary of Agriculture has violated the trust of the Congress in regard to the changes he has made in the structure and functioning of REA; and

Whereas REA can no longer function efficiently and effectively as a result of this action by the Secretary of Agriculture; and

Whereas this situation has been brought about by passage of the Reorganization Plan No. 2 of 1953; and

Whereas Senator Humphrey has introduced a bill, S. 2990, providing "that section 1 of Reorganization Plan No. 2 of 1953 shall not hereafter apply to the

Rural Electrification Administration, and there are hereby transferred to the Administrator of the Rural Electrification Administration all functions which were transferred from the Administrator to the Secretary of Agriculture by such reorganization plan": Now, therefore, be it

Resolved, That we support S. 2990 which would rectify the situation.

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION I

The following resolution was adopted at the regional meeting held in Burlington, Vt., September 25-26, 1958, by rural electric systems operating in the States of Delaware, Maine, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, North Carolina, Vermont, and Virginia:

REA REORGANIZATION

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation of the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers be reviewed by the Secretary's Office; and

"Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION II

The following resolution was adopted at the regional meeting held in St. Petersburg, Fla., November 3-4, 1958, by the rural electric systems operating in the States of Georgia, Florida, and South Carolina:

"REORGANIZATION OF REA

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's Office; and

"Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

Resolved, That as soon as the New Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, as amended by the House subcommittee, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION III

The following resolution was adopted at the regional meeting held in Gatlinburg, Tenn., September 15-16, 1958, by rural electric systems operating in the States of Alabama, Mississippi, Kentucky, and Tennessee:

"REA REORGANIZATION

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and all loans of whatever amount to new borrowers, be reviewed by the Secretary's Office: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

Resolved, That the new Congress convening in 1959 be urged to introduce and pass a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original REA Act of 1936, be introduced and pass."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION IV

The following resolution was adopted at the regional meeting held in French Lick, Ind., September 4-5, 1958, by rural electric systems operating in the States of Ohio, Indiana, Michigan, and West Virginia:

"REA REORGANIZATION

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committee and other interested groups; and

"Whereas, in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more and all loans of whatever amount to new borrowers, be reviewed by the Secretary's Office; and

"Whereas Secretary Benson has proposed a bill to the Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

Resolved, That we are vigorously opposed to an reorganization of REA; and be it further

Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION V

The following resolution was adopted at the regional meeting held in Madison, Wis., September 29-30, 1958, by rural electric systems operating in the States of Illinois, Iowa, and Wisconsin:

"REA REORGANIZATION

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committee and other interested groups; and

"Whereas, in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office; and

"Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

"Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION VI

The following resolution was adopted at the regional meeting held in Bismark, N. Dak., October 27-28, 1958, by rural electric systems operating in the States of Minnesota, North Dakota, and South Dakota:

"REA REORGANIZATION

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas, in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office; and

"Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

"Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1953, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION VII

The following resolution was adopted at the regional meeting held in Denver, Colo., November 10-11, 1958, by rural electric systems operating in the States of Colorado, Kansas, Nebraska, and Wyoming:

"REA REORGANIZATION

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office; and

"Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

"Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, as amended by the House sub-

committee, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION VIII

The following resolution was adopted at the regional meeting held in Oklahoma City, Okla., October 30-31, 1958, by rural electric systems operating in the States of Arkansas, Louisiana, Missouri, and Oklahoma :

"REA REORGANIZATION

"Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of Rural Electrification Administration and provided for the appointment of an Administrator by the President, with confirmation by the Senate for 10-year term to insure nonpartisan, nonpolitical administration ; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups ; and

"Whereas, in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office ; and

"Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing : Now, therefore, be it

"Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, as amended by the House subcommittee, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION IX

The following resolution was adopted at the regional meeting held in Missoula, Mont., November 13-14, 1958, by the rural electric systems operating in the States of Alaska, California, Idaho, Montana, Nevada, Oregon, Utah, and Washington :

"In order to further the national objectives of the Rural Electrification Act and the laws relating to the comprehensive development of the Nation's energy resources, and in order to assure an adequate supply of low cost power for maximum development of rural America, we adopt the following legislative policies, and we urge our leaders and public officials to take prompt and continuing steps to bring these about :

* * * * *

"3. We urge Congress to reestablish the full authority of the REA Administrator to make loans. * * *"

RESOLUTION—RURAL ELECTRIC SYSTEMS IN REGION X

The following resolution was adopted at the Regional Meeting held in Brownsville, Tex., November 17-18, 1958, by rural electric systems operating in the States of Texas, Arizona and New Mexico :

"REA REORGANIZATION

"Be it resolved, That as soon as the Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, as amended by the House subcommittee, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and its passage pressed."

RESOLUTION

Adopted at the 17th Annual Meeting of the National Rural Electric Co-op Association, Washington, D.C. Feb. 9-12, 1959

REORGANIZATION OF REA

Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

Whereas, Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and by all loans of whatever amount to new borrowers, be reviewed by the Secretary's Office; and

Whereas the the Humphrey-Price bill would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, without divorcing REA from the Department of Agriculture: Now, therefore, be it

Resolved, That we urge the Congress to pass the Humphrey-Price bill as early as possible in the 86th Congress.

RESOLUTION—ALASKA RURAL ELECTRIC COOPERATIVE ASSOCIATION

The following resolution was adopted at the annual meeting of the Alaska Rural Electric Cooperative Association in Homer, Alaska, August 8, 1958.

"Now, therefore, be it resolved * * *

"15. We endorse the Humphrey bill (S. 2990) to strengthen REA and we oppose any efforts, in whatever guise, to increase the interest rates which would be paid by borrowers from the Rural Electrification Administration."

RESOLUTION—MINNESOTA ELECTRIC COOPERATIVE

The following resolution was adopted at the annual meeting of the Minnesota Electric Cooperative statewide, March 27 and 28, 1958.

"Whereas certain loan procedures within REA have been changed to require the approval of the Secretary of Agriculture or his assistants before granting certain REA loans: Now, therefore, be it

"Resolved, That the Minnesota Electric Cooperative strongly requests that any limitations on the Administrator to make loans determined by him to be feasible, be removed."

DILLON, MONT., *March 2, 1959.*

RICHARD A. DELL,
Care of NRECA,
Washington, D.C.:

The board of trustees of the Vigilante Electric Cooperative, Inc., Dillon, Mont., who represents 2,200 users, at their board of trustees meeting, February 28, 1959, passed a resolution urging every effort be made by our Representatives and Senators in Congress to use every effort possible to restore full and final authority to the REA Administrator on the rural electrification program. We urge you to contact the Government Operation Committee encouraging an early release of the Humphrey-Price bill together with any other action for full support of this legislation. Telegram transmitted to Senator's James E. Murray, Mike Mansfield, and Representatives LeRoy Anderson and Lee Metcalf.

H. L. BABCOCK, *Manager.*

DILLON. MONT., February 28, 1959.

RICHARD A. DELL,
Care of NRECA,
Washington, D.C.:

The Montana State Rural Electric Cooperative Association, representing 40,000 member-users at their annual meeting in Missoula, November 14, 1958, passed a resolution urging Congress to reestablish full authority to the REA Administrator to make final approval of loans. On the interest of this great program I urge you to contact the Government Operations Committee supporting the Humphrey-Price bill and encouraging immediate release of the bill by the committee. We, in Montana, desire your continued full support of the REA program as designed by Congress and feel that the Humphrey-Price Legislation will give further support. The above telegram has been sent to Senator James E. Murray, Senator Mike Mansfield, Representative LeRoy Anderson, Representative Lee Metcalf.

H. W. WHEAT, *President.*

RESOLUTION—OHIO RURAL ELECTRIC COOPERATIVES, INC.

The following resolution was adopted at the annual meeting of the Ohio Rural Electric Cooperatives, Inc., August 1958.

"HUMPHREY-PRICE BILL

"Whereas hearings have been held in both House of Congress on the Humphrey-Price bill which would restore administrative powers to the Administrator of REA; and whereas this bill now before the Rules Committee of the House of Representatives and the Senate Committee on Government Operations: Now, therefore, be it

Resolved, That Ohio Rural Electric Cooperatives, Inc., urge these committees to take immediate favorable action on this bill and that a copy of this resolution with an appropriate accompanying letter be sent to Senator Lunsche."

RESOLUTION—TENNESSEE RURAL ELECTRIC COOPERATIVE ASSOCIATION, INC. Annual Meeting, December 10-11, 1958

HUMPHREY-PRICE BILL

Whereas the Secretary of Agriculture has arbitrarily limited the loanmaking authority of the REA Administrator despite such authority being defined by law; and

Whereas this unceded and unwar anted reorganization measure diverts an important portion of the Administrator's inherent loanmaking authority to another person whose duties do not primarily pertain to REA; and

Whereas we believe that this practice is detrimental to both the Administrator and the program which, by law, he is designated to administer: Be it now

Resolved, That the Tennessee Rural Electric Cooperative Association, Inc., reiterate its support of the Humphrey-Price bill to restore the loanmaking authority to the REA Administrator; and be it further

Resolved, That we convey our thanks to the U.S. Senators and Congressmen from Tennessee who have supported this bill and that we urge their continued support to its passage early in the next session of Congress.

VIRGINIA ASSOCIATION OF ELECTRIC COOPERATIVES, RICHMOND, VA.

"Be it resolved, That * * *

"We are concerned at the steady encroachment by the Secretary of Agriculture on the authority and prerogative of the Administrator of REA the effect of which is to deprive the Administrator of the independent judgment which the REA Act invests in him."

Passed by the board of directors of the Virginia Association of Electric Cooperatives in official session April 23, 1958.

RESOLUTION No. 3

Passed by the Wyoming State Rural Electrification Association at its annual meeting at Lusk, Wyo., on November 19, 1958

Whereas in June 1957 the Secretary of Agriculture did reorganize REA by requiring that all loans of \$500,000 or more, and all loans of whatever amount, to new borrowers be reviewed by the office of the Secretary of Agriculture, and

Whereas the Secretary of Agriculture supported a bill in Congress to increase interest rates: Now, therefore, be it

Resolved, That as soon as the 86th Congress convenes, that a bill identical to the Humphrey-Price bill, as amended by the House subcommittee, which would restore to the REA Administrator all of the functions and authority vested in him by the original REA Act of 1936, be introduced and passed.

**National Rural Electric Cooperative Association
2000 Florida Avenue, Northwest
Washington 9, D. C.**

**AN ANALYSIS OF
COMPTROLLER GENERAL'S
REVISED RULING*
Relating to the REA Program**

**(* Comptroller General's Letter Dated October 15, 1958
Addressed to the Secretary of Agriculture)**

Analysis Prepared by
**WISE & POTAMKIN, Special Counsel For
National Rural Electric Cooperative Association
November 15, 1958**

INTRODUCTION

In this pamphlet we present the NRECA analysis of the Comptroller General's revised ruling relating to the REA program. This revised ruling was addressed to the Secretary of Agriculture in a letter from the Comptroller dated October 15, 1958.

It will be recalled that the Comptroller General issued his first letter on July 21, 1958. At that time he ordered an unprecedented restriction on the Rural Electrification Administrator's loan-making authority. The ruling completely reversed Congressional intent as set forth in the 1936 law and ignored 23 years of Administrative policy. The ruling would have killed the REA loan program and would have jeopardized hundreds of loans previously made.

Protests were immediately registered by the U. S. Department of Agriculture, Members of Congress, rural electric co-operatives and the National Rural Electric Cooperative Association. Briefs were filed by the USDA General Counsel, the Iowa co-ops concerned with the specific case and NRECA.

As a result of these protests, the Comptroller General issued a new letter October 15, 1958 amplifying his previous ruling. In his new version, the Comptroller narrowed the extent of the limitation he would place upon the REA Administrator, but he did not change his basic position.

When the revised ruling was issued, NRECA retained the law firm of Wise and Potamkin to make a complete analysis of what it would mean to rural electric systems. Their analysis appears on the following pages.

It is ominously clear that unless this ruling is withdrawn or changed, the REA program will be fatally damaged. At this point apparently only Congress can deflect or soften the effects of the Comptroller's disruptive and destructive ruling. It is our hope that Congress will investigate the ruling and its background—how it was instigated in the first place, since so much of the power company argument appears in the ruling, and why the Comptroller General should now seek to give the power companies an interpretation they failed to get either from Congress or the courts.

This action by the Comptroller General appears to be just one more segment of the comprehensive Master Plan that has been unfolding in recent months and that obviously has for its purpose the ultimate destruction of the rural electrification program.

Clyde T. Ellis, General Manager

National Rural Electric Cooperative Association

**Analysis of
The Comptroller General's Letter and Ruling
of
October 15, 1958
to
Secretary of Agriculture**

FOREWORD

On October 15, 1958, the Comptroller General addressed a second letter to the Secretary of Agriculture on the subject of the lending authority of REA. Although he has made substantial changes in his first ruling, he still holds that Congress did not mean what is so clearly said in the Rural Electrification Act—and his new ruling is still completely in error and utterly destructive of the rural electrification program.

In his first letter to the Secretary of Agriculture, dated July 21, 1958, the Comptroller General ruled:

1. That the Administrator of REA had no authority to make loans to provide electric service "to an area already served by private power companies when such companies are willing to provide adequate central station service to persons within the area who are not tied to the power lines." (emphasis supplied). No definition of "area" was furnished and no limitation was placed upon the extent of the "area" which could not be reached by REA loans.

2. In addition to this general ruling that applies to all REA loans, the Comptroller General also ruled that, in the specific case in question, a new plant being constructed by a company which was receiving 25 cycle electric service from a power company at an old plant could not be considered a person not receiving central station service even though the following facts were established by the cooperatives and the Department of Agriculture: (a) the new plant was 160 feet from the old plant; (b) the new plant was a completely separate operation from the old plant; (c) the new plant required 60 cycle service and to give such service the power company would have to spend approximately \$100,000 to reconstruct its existing facilities running to the old plant and to extend heavy transmission facilities for 160 feet; (d) the consumer's capital investment in the new plant greatly exceeded its capital investment in the old plant; (e) the power requirements of the new plant greatly exceeded the power requirements of the old plant; (f) "There is a respectable body of technical and engineering opinion that 25 cycle service is outmoded and obsolete, and therefore is not adequate central station service"; (g) the location and scope of

the new plant were determined by the consumer on the basis of its desire for a new electric supplier; (h) the new plant was in territory already being served by the cooperative and the cooperative was already serving a housing facility of the company on the same site; and (i) the rate which the power company wanted to charge for service to the new plant was so high that it would make the plant uneconomical to operate.

3. Because, in the opinion of the Comptroller General, the loan made by REA to enable the cooperative to serve the new plant was unauthorized, the Administrator was directed to take steps "to recover immediately . . . the amount advanced. . . ."

In briefs which were filed by the Department of Agriculture, NRECA and the cooperatives involved, with the Comptroller General in reply to his first letter, the following was clearly and definitely established: **The Comptroller General's ruling was completely without basis.** That ruling had attempted to rewrite the Rural Electrification Act, which in plain language gave the Administrator the right to make loans to serve all "persons in rural areas who are not receiving central station service. . . ." It misused what little legislative history it referred to and failed to consider the large mass of legislative history which clearly supported the Administrator. It misinterpreted an opinion of a Solicitor of the Department of Agriculture and ignored the fact that for 23 years the Administrator had been making such loans and that every Government official and lawyer charged with the legal interpretation of the Rural Electrification Act had approved the making of such loans. It ignored the fact that Congress was well aware that the Administrator was making such loans and by its continued appropriations without restrictions approved the making of such loans. It also ignored the fact that a United States District Court had approved the Administrator's power to make such loans. And it ignored the fact that the Department of Justice had taken a firm stand on the question in full support of the Department of Agriculture's position.

Comptroller Reaffirms His Position

Despite the clear demonstration in those briefs that his original ruling was completely and wholly without basis, the Comptroller General has in effect reaffirmed his position. Whereas his original ruling was set forth in 8 pages, he now takes 25 pages to explain and clarify that ruling.

In his letter of October 15, the Comptroller General holds:

1. That what he meant by his first letter when he said that REA loans could not be made to "furnish power to an area already served by private power companies when such companies are willing to provide adequate central station service

to persons within the area who are not tied to the power lines," was that persons who were located "on", or "along side of", or "adjacent to", or "within a reasonable distance of" the power lines of a power company could not be served by facilities financed by REA if the power company were willing to serve them at a "reasonable price." Thus, although he denies that this constitutes a "new" ruling, it is in fact new, since the "area" placed outside the reach of REA loans has been reduced—although, as before, none can say just what the area is—and the completely new requirement has been added that the service offered by the power company must be at "a reasonable price".

2. The loan in question is still unauthorized, according to the Comptroller General, on both the ground of his general "interpretation" of the lending authority of the Administrator and on the ground that the new plant was not an unserved person.

3. Although he still holds that the loan was improper, the Comptroller General no longer requires the Administrator to take steps to obtain the immediate return of the loan funds, since they have been expended and the cooperative is under contract to return them.

The October 15 ruling is as completely wrong and without basis as was the July 21 letter—and the Comptroller General has followed the same disregard of ethical practice and of Governmental procedure that marked his actions in connection with his first letter. Before issuing his first letter he had given no indication whatsoever that he was considering changing the fundamental powers of the Administrator under the Rural Electrification Act. He not only did not notify the Cooperatives or the Department of Agriculture that he was considering making such a momentous ruling, he did not even take the trouble to raise the questions which he had in his mind or to discuss the matter in any preliminary fashion. Instead, after making only routine inquiries of the Department, he issued his power company ruling completely "out of the blue."

Similarly, in issuing this new "interpretation" and "clarification" of his first ruling, he has not even taken the trouble to check facts or assumptions with anyone other than the power company, although a mere 'phone call to the Department or the Cooperative could have given him the necessary information. Thus, he "assumes" every fact that would seem to support his predetermined position except where he uses information which he has obviously obtained from the power company after the briefs were filed.

This second letter and ruling, as will be demonstrated, is as completely without basis as the first. In the detailed analysis which follows, points are discussed in the order in which they appear in the Comptroller General's letter, with general observations at the end.

I

The Comptroller General Attempts to Change the Clear Meaning of the RE Act

It must first be noted that even the Comptroller General admits that the language of the Rural Electrification Act grants the Administrator the right to lend money to bring electric service to **any** unserved person in **any** rural area, but he seeks to change the meaning of the Act by the use of legislative history.

As has been definitely established by the briefs submitted to him on his letter of July 21, and as will be demonstrated again below herein, the legislative history lends the Comptroller General no support, but instead clearly supports the Administrator. Nevertheless, to clearly understand the Comptroller General's completely erroneous and partisan handling of this matter, let us consider his treatment of the legal question involving his right to look behind the plain language of the statute.

If there is any one outstanding characteristic which distinguishes both of the Comptroller General's letters, it is that of citing language out of context and stating legal propositions incorrectly. Thus, the Comptroller General attempts to justify his disregard of the clear and unambiguous language of the Rural Electrification Act by quoting from text authorities and cases to justify his looking at the legislative history, despite the fact that the law is clear to the effect that legislative history cannot be resorted to to change the plain meaning of clear and unambiguous statutory language. As in all other instances, the authorities cited by the Comptroller General do not support his position.

The Comptroller General first refers to **Sutherland**, Statutory Construction, from whom NRECA quoted in its previous brief, and attempts to demonstrate from that quotation that he had the right to use the legislative history in his endeavor to establish that the clear and unambiguous words of the statute do not mean what they say. The quotation used by the Comptroller General itself starts out with these words:

"The most common rule of statutory interpretation is the rule that a statute clear and unambiguous on its face need not and cannot be interpreted by a court and only those statutes which are ambiguous and of doubtful meaning are subject to the process of statutory interpretation."

The remainder of the quotation in the Comptroller General's letter indicates that the author is to some extent personally critical of the rule and feels that if "the words are **sufficiently flexible**" (emphasis supplied), they should be construed. Nowhere does he even imply that the rule is not as

stated in his first sentence and in NRECA's brief. His position is made clear by Sec. 4706, from which the Comptroller General quotes, but as usual omits that part which makes it clear he could not properly do that which he has done in the instant case. The omitted language which follows immediately after the Comptroller General's language reads: (Sec. 4706)

"While the intention of the legislature must be ascertained from the words used to express it, the manifest reason and obvious purpose of the law should not be sacrificed to a literal interpretation of such words. Thus words or clauses may be enlarged or restricted to harmonize with other provisions of an act. The particular inquiry is not what is the abstract force of the words or what they may comprehend, but in what sense were they intended to be used in the act. The sense in which they were used by the legislature furnishes the rule of interpretation and when this cannot be determined from the context of the act, the court may resort to extrinsic aids. Obviously, if the words of the act indicate the legislative intent other sources may not be resorted to to establish a meaning contrary to that intention." (emphasis supplied)

There are also quotations from four cases in the Comptroller General's letter in support of his position that he had the right to resort to the legislative history in our case. It is sufficient to say that in each of those cases the language of the statute being interpreted obviously was not clear and unambiguous.

In **Boston Sand and Gravel Company v. United States**, 271 U.S. 41, the case hinged on the meaning of the words "legal damages" as used technically in a jurisdictional statute. The Court found this language to be ambiguous, since "legal damages" may or may not include "interest," and that it did not include interest in this instance. In **Harrison v. Northern Trust Company**, 317 U.S. 476, the Court found it necessary to interpret the words "payable out of" in a tax statute, because although apparently clear in meaning on a "superficial examination" of the statute they were not clear on a careful reading. In **United States v. Dickerson**, 310 U.S. 554, in the paragraph of the opinion cited by the Comptroller General, the Court itself emphasized that the words being interpreted did not have a "settled meaning". In **Puerto Rico v. The Shell Company**, 302 U.S. 253, the Court had to decide whether or not Puerto Rico was a "territory" within the meaning of that word as used in the statute. The Court made it crystal clear that the word is ambiguous, since when used in its comprehensive sense it embraces "all organized territories, whether incorporated in the United States or not, including Puerto Rico," while when used

in a technical sense it includes only possessions within the reach of the Sixth and Seventh Amendments.

After citing these few "authorities" for a proposition that does not exist in the law, the Comptroller General dismisses the dozens and dozens of cases and the text authorities which clearly show him to be wrong by stating ". . . although we realize there are other Supreme Court cases to the contrary." Since we have fully demonstrated how wrong he is by citation of many of the authorities in our brief filed in opposition to the Comptroller General's first letter, we shall not repeat those authorities here. However, we shall quote again Chief Justice Vinson's excellent summation of the law on this point.

" . . . The short answer is that there is no need to refer to the legislative history where the statutory language is clear. 'The plain words and meaning of a statute cannot be overcome by a legislative history which through strained processes of deduction from events of wholly ambiguous significance, may furnish dubious bases for inferences in every direction.' *Gemsco v. Walling*, 324 U.S. 244, 260 (1945). This canon of construction has received constant adherence in our decisions." *Ex Parte, Collett*, 337 U.S. 561 (1949)

We have discussed the Comptroller General's misstatement of this principle of statutory construction merely to show the pattern of his biased and partisan treatment of the rights of REA borrowers. The point actually is a completely academic one since, as firmly established in the briefs filed by the Department of Agriculture and NRECA, and as will be confirmed in this analysis, the legislative history of the Act irrefutably reveals the incorrectness of the Comptroller General's position.

II

Comptroller General Now Offers a New Meaning of the Word "Area"

In his first ruling, the Comptroller General plainly states ". . . that the purpose of the central station service limitation was to exclude loans for the purpose of paralleling existing systems or creating competition with existing facilities by prohibiting the use of loan funds for the construction of transmission lines and substations to furnish power to **an area** already served by private power companies when such companies are willing to provide adequate central station service to **persons within the area** who are not tied to the power lines". (emphasis supplied)

This is a clear statement that cannot be misinterpreted. The only possible interpretation is to exclude as beneficiaries of REA loans those persons in rural areas who, even though un-

served, are within an area already served by private power companies when those companies are willing to serve those persons. The word "area" is not defined in the quoted part or in any other part of the first letter. Therefore, subject only to the interpretation of the word "area", the quoted statement clearly means that if the power company were willing to extend its lines to serve the unserved persons, the Administrator cannot make loans for that purpose. And his misuse of the legislative history quotations, as well as his underlining of certain parts of those quotations, show that the Comptroller General at that time meant just what he said.

Now, instead of admitting that he wants to change his opinion, he has the temerity to say that what his first opinion meant was that only those unserved persons who were "on", or "along side of", or "adjacent to", or "within a reasonable distance of", the power company lines were outside the reach of REA loans. And to prove that that is what his first opinion says, he now underlines the words "who are not tied to the power lines".

Here is what he says:

"... we would like to say that there has apparently been a misunderstanding as to the scope of the statement in our letter concerning the purpose of this limitation as disclosed by the legislative history thereof. While we used the word "area" in our statement, we had in mind the factual situation involved in the case we were considering, that is, where the unserved person was located, in effect, on, i.e., along side of, existing power lines and the owner of the lines was ready, willing and able to furnish adequate central station service to the unserved person at a reasonable price. You will note that in the statement in question we used the phrase 'who are not tied to the power lines.' We contemplated only situations where the unserved persons were located on a power line, that is, where the power line ran to or along side of, the property to be served and where the owner of the power line was ready, willing and able to furnish adequate central station service at a reasonable price to the unserved person."

One must ask what dictionary the Comptroller General is using. Certainly, if it is any known dictionary of the English language, then when he discusses persons "who are not tied to the power lines" it can only mean those "who are not connected with the power lines"—and they can be "not connected" if they are a foot or a mile away. How the Comptroller General can contend that persons "who are not tied to the power lines" in any area means only those persons who are "on", or "along

side of", or "adjacent to", or "within a reasonable distance of", the company's power lines is beyond comprehension.

Thus, right at the outset, the Comptroller General demonstrates that he still has no intention whatsoever of adopting a logical and judicious approach. And this is in keeping with his unethical treatment of the interested parties and their briefs. The briefs submitted to him by all interested parties in answer to his first letter were, of course, directed to what he said in that letter. He has now made these important changes in that letter. Instead of notifying the interested parties in advance of the changes he was going to make so as to give them an opportunity to rewrite their arguments and to cite authorities directed to the new ruling, he merely issues the new ruling and in it attempts to dismiss the arguments in the briefs filed just as though they had been filed in answer to this second letter and not to the first letter.

It happens that the briefs submitted were comprehensive enough to show that even this revised opinion of the Comptroller General is completely without basis, but this still does not excuse the actions of the Comptroller General in not giving the parties an opportunity to point their briefs directly to his new position and in discussing their briefs as though they had been so written.

III

The Comptroller General Still Misinterprets the Rural Electrification Act

Although he has changed his definition of "area" the Comptroller General is still using the same erroneous approach that he used in his first letter. The basic fallacy of the Comptroller General's reasoning in both of his letters is that he chooses to interpret the Rural Electrification Act as giving authority to the Administrator to lend money only to serve "rural areas" rather than "**persons** in rural areas". (emphasis supplied)

The plain language of the Rural Electrification Act states that the Administrator is authorized to make loans to provide electric service "to **persons** in rural areas who are not receiving central station service . . ." (emphasis supplied). Obviously, the test under the Act is merely whether the person to be served through the REA loan is an unserved person living in a rural area. Where he lives in the rural area is completely unimportant because, if he is in fact in a rural area and is unserved, REA can make a loan to provide him with service.

As will be shown, the legislative history shows clearly that Congress intended just what it said in the Rural Electrification Act and for 23 years the various Administrators of REA have made loans in conformity with this plain statement of the law. Despite this, the Comptroller General still chooses to rewrite

the Rural Electrification Act to make it provide that the Administrator can make loans only to serve unserved persons who live in **some** rural areas, and has held that the Administrator cannot make loans to provide electric services to persons who live in **other** rural areas. All that he has done in his second opinion, with respect to this basic point, is to define the rural area whose unserved persons cannot be the beneficiaries of an REA loan.

IV

The Comptroller General Still Quotes Legislative History Out of Context

As in his original letter, the Comptroller General still persists in quoting passages from the legislative history out of context and in adopting tortuous and erroneous interpretations of what he quotes.

It should be noted at the outset that in any lengthy debate or discussion language can be found which, when taken out of context, may seem to have a meaning different from the meaning of the discussion as a whole. That is why it can be so misleading to quote statements out of context. Also, supplying emphasis to the wrong parts of quoted passages can mislead. As he did before, the Comptroller General has used both of these misleading devices in his latest opinion.

Without repeating all that was said in the brief that was submitted in opposition to his first letter, it can be shown very easily how completely wrong the Comptroller General still is by just a short reference to some of the legislative history. Thus, twist and turn as he will, the Comptroller General cannot change the meaning of Senator Norris'* reply to Senator King, when he said that although loans could not be made to serve persons in power company areas who were already receiving service from the power company, they could be made to serve persons in the power company areas who were not receiving service:

"Not to those already receiving it, but it might come into the 10-mile area and supply farmers who were not receiving it. That is a distinction which I think ought to be drawn." (80 Cong. Rec. 2752, Part 3)

Nor can the Comptroller General destroy the plain meaning of these other statements of Senator Norris:

"The Senator says 'come in competition'. They would not come in competition with farms already supplied . . .".

*Senator George Norris was co-author and chief Senate sponsor of the bill which became the Rural Electrification Act of 1936.

“There is no intention of going into a farming community which is already supplied with electric current and forming farm organizations there and having them built up to go into competition, as the Senator suggests, with farms who are already getting their electric current from a central station.” (80 Cong. Rec. 2752, Part 3)

How does the Comptroller General handle these clear and direct statements that the Act means what it says? By saying: “. . . we do not feel the Senator intended to imply that loans could be made for the purpose of going into the farming community he refers to, to furnish electricity to farms located on, i.e., adjacent to, power lines therein but not tied to such lines . . .”. This is beyond comprehension! Senator Norris plainly and clearly says that they **can** do it. Yet the Comptroller General says that he, the Comptroller General, “does not feel” that Senator Norris meant what he said. At least he is being consistent, because the whole purpose of his opinion is to establish that he, the Comptroller General, “does not feel” that Congress meant what it so plainly said in the Rural Electrification Act.

Then, again, the Comptroller General has the audacity to quote Congressman Rayburn and to attempt again to twist and misconstrue the plain meaning of his words. Congressman Rayburn, the other co-author of the bill, made the flat statement that the purpose of the Rural Electrification Act was to serve the unserved and not to punish anyone, or to parallel anyone’s lines, or to enter into competition with them. The clear meaning of his words shows that when he speaks of “paralleling facilities” or of “competition”, he means service to **persons already being served by power companies**. Thus, he says:

“May I say to the gentleman that we are not, in this bill, intending to go out and compete with anybody. By this bill we hope to bring electrification to people **who do not now have it**. This bill was not written on the theory that we were going to punish somebody or parallel their lines or enter into competition with them.” (emphasis supplied) (80 Cong. Rec. 5283, Part 5)

Could anything be clearer? Congressman Rayburn says that the purpose is to serve people “who do not now have” electric service. Then he says that it is not the purpose of the bill to go into competition with power companies, or punish them, or parallel their facilities. It could not be more clear that Congressman Rayburn in his use of the words “parallel” and “competition” had in mind only that type of paralleling and competition which involves bringing REA-financed service to those **who are already** being served by the power companies.

But what does the Comptroller General say? He says: “We feel that the proper interpretation of this state-

ment in the light of the House hearings is that the sponsor of the bill in the House did not contemplate the paralleling of existing lines, at least for the purpose of furnishing electricity to unserved persons located on those lines, and that the 'persons who do not now have it' referred to in the statement are those not located on power lines, but those located beyond, or at least not within a reasonable distance (as determined by the Administrator of REA) of, power lines." (emphasis supplied)

Although, as will be later demonstrated, it is impossible to understand just what the Comptroller General means, it is perfectly clear that he cannot mean what Congressman Rayburn means. And it can once more be noted that the Comptroller General is at least consistent. Starting with his misinterpretation of the Rural Electrification Act, he consistently and persistently misinterprets everything else he quotes.

Curious Handling of Legislative History

The handling of the legislative history by the Comptroller General is a perfect illustration of how legislative history should not be handled. Consider, first, his treatment of Senator King's abortive attempt to do by amendment what the Comptroller General now wishes to do by administrative fiat. Senator King wanted to expressly prohibit the use of REA loan funds to provide service in any area where power company facilities existed. Senator King introduced an amendment providing that loans could be made to serve only those persons in rural areas "for whom such service may not be furnished or made available by competing private enterprise." The fate of this amendment is not shown in the Congressional Record. Later, he introduced another amendment, containing the above provision and other provisions on other points. This amendment was defeated.

The Comptroller General states that since the amendment contained other provisions, it may have been rejected because the Senate did not want to adopt these other provisions. He refuses to yield at all, or to even note that the normal—and proper—interpretation of the Senate's action was that it opposed all of the provisions in the amendment. Had the Senate favored any of them, it would have amended the amendment and would have adopted those provisions which it favored.

The Comptroller General's treatment of the legislative history of the King amendment is a sorry demonstration of his bias, even standing alone. However, when coupled with his handling of another facet of the legislative history, it becomes unbelievable. The briefs previously submitted to the Comptroller General pointed out that the Senate version of the bill first provided only for service to unserved rural "areas". As thus written, it might

have been susceptible of the interpretation which Senator King wished to give it by specific language, and which the Comptroller General is now struggling so mightily to give it. However, the Senate amended the original version of the bill to make it provide for service to "persons in rural areas". By doing this, the Senate made it crystal clear that the test to be used in making REA loans was only whether the "person" in the rural area was unserved, and not whether the "area" itself was unserved. **The Comptroller General does not even comment upon this most persuasive, perhaps conclusive, piece of legislative history, although it was emphasized in the briefs submitted to him.**

The Comptroller General, in his new letter, now quotes at great length from the House Hearings on the Bill. In his original decision, the Comptroller General made no reference to those Hearings, but after NRECA pointed to specific statements in those Hearings which opposed his position, he has now gone to those Hearings—not, however, to seek the facts, but only to find material which, when taken out of context, seems to support his predetermined power company position.

As has already been noted, in any lengthy legislative history, statements can be found which, when taken out of context, would support almost any position. Thus, parts of the House Hearings, taken by themselves, may seem to support the Comptroller General—and, therefore, like the partisan that he is in this dispute, he uses those parts, but fails to relate them to the entire legislative history, or even to show the proper context in which they occurred.

Thus, the Comptroller General fails to mention that the testimony to which he refers had mostly to do with some of the **policies**, as distinguished from **powers**, which REA, as a new, temporary and experimental agency, was following in a period when it had no enabling statute, had limited funds, had made but a few loans, and had actually financed the construction of very few lines.

In those early days, the first loans were not made to serve people who were close to, and could get service from, power company lines. With millions of rural people not receiving service, with entire rural areas without service, the early loans were made to serve those who could not get service in any other way. Thus, Mr. Cooke, the then Administrator, testified that if a power company told him it would extend its lines, even build extensions of **half a mile**, to reach people within a year's time, he, Mr. Cooke, did what he could to quiet public agitation in the area and let the power company follow its plan. Obviously, Mr. Cooke was not speaking of his **power** to make loans under the new Act that was being considered, but only of the **policy** he was following in the first months of the new and experimental program. Even the Comptroller General would have to

admit that. Even he does not contend that the Administrator lacks the power to make loans to serve people whom the power company promises to serve within a year by building extensions up to one-half mile each.

However, when Mr. Cooke was asked the specific question in point, his answer was clear:

"Mr. Huddleston. I am correct, am I not, in saying that the fundamental purpose of this bill is to give electric service to those who do not now have it.

"Mr. Cooke. Those who do not now have it."

* * * *

"Mr. Huddleston. May I say that my questions are not addressed to the matter of competition or duplication of service, but to the fundamental purpose of the bill. You want to give electric current to farmers who now have not got it.

"Mr. Cooke. That is right." (Pages 56-57 House Hearings)

* * * *

Thus, the three pages of quotations from the House Hearings which the Comptroller General now includes in his new ruling do not help his position. As with all other of his quotations, they are offered for what they do not support.

It is perfectly amazing how the Comptroller General, after devoting so much space to quotations that are not relevant, still completely ignores so much of the pertinent legislative history that was cited to him in the briefs that were submitted in answer to his first letter. The Department of Agriculture, in its brief, showed that time and again the meaning of the REA statutory loan authorization was discussed and explained to Congressional Committee after Congressional Committee, and always in the same way, and to the satisfaction of those committees, and exactly consistent with the position now taken by REA. Always it was pointed out to the committees that REA loan funds were available to provide service to any person in a rural area who was not already receiving central station service. It did not matter where that person was located in relation to power company lines. The brief filed by the Department of Agriculture with the Comptroller General in answer to his first letter contains the actual quotations from testimony to such effect before the Congressional Committees.

A sample of this testimony, as quoted in the Department's brief, follows:

"Mr. Nicholson: We can't with Government money, finance the extension of cooperative service to farmers already served, even if they want it. There are many cases where a farmer served by a utility company would like to take the meter out and put in a cooperative

meter, but under this law as drawn we have no authority to do that. But if the farmer does not have service, **no matter where he lives**, we have every right under this law to finance the extension of service to him, if he wants the service from a borrower that we finance.” (emphasis supplied) (Hearing, Senate Subcommittee on S. 89, April 2, 1945, P. 15.)

The Comptroller General is silent on this and similar quotations in the Department’s brief. He dismisses the entire matter by saying:

“The Acting Secretary now advises that REA has kept the Congress fully informed of its activities over the years and indicates that the Congress has acquiesced in REA’s making loans for the purpose of serving any unserved persons; and that it has been REA’s uniform administrative practice over the past 22 years to make loans to bring electric service to all unserved persons in rural areas, and reiterates that this has been so without regard to the “availability” of service from other sources. . . . However, the long-continued practice as reported by the Acting Secretary, if **carried on with Congressional knowledge** would tend to support the Department’s position, or at least, indicate Congressional acquiescence in the practice followed by the Department. In view of the foregoing **we will take such action as may be necessary to insure Congressional knowledge** of the interpretation of the Act by REA and the practices followed by including a discussion of the matter in the report referred to in the last paragraph of this letter.” (emphasis supplied)

This is insulting and beyond comprehension. The statement of the Department that Congress has always known that REA has interpreted and applied statute as written is backed up by specific quotations from Congressional Hearings. But the Comptroller General will neither comment upon nor accept this clear evidence of the truth of the Department’s statement. In effect, the Comptroller General is saying that he doesn’t believe either the Department or the evidence furnished by the Department. There appears to be no limit to the lengths the Comptroller General will go to damage the rural electrification program.

V

The Comptroller General Misinterprets Legal Opinion of USDA

Perhaps the most outrageous of all the horrible examples of mistreatment of quotations in the Comptroller General’s letter is his mistreatment of an opinion of the Solicitor of the Department of Agriculture, written in 1942. In the first place, the

opinion was written with respect to acquisitions, i.e., situations where the REA borrower sought to acquire existing facilities in order to serve additional unserved persons. It was not directed to the question here involved. Nevertheless, even that opinion, to the extent that it does indirectly touch on the point here involved, definitely substantiates our position. In it the Solicitor states that "where the effect of a proposed loan, regardless of its essential purpose, would be to substitute competitive REA-financed service to persons already served, the loan may not be made". Note the use of the word "competitive" in this context. Clearly and obviously, what the Solicitor had in mind was the competition involved in serving persons **already being served**. This sentence is included in the part quoted by the Comptroller General, but he makes no reference to it in his discussion. Other parts of that same opinion—and **not quoted** by the Comptroller General—read:

"The purpose of a loan made pursuant to the Rural Electrification Act must be to bring electricity to '**persons in rural areas** who are not receiving central station service.' (emphasis supplied). Section 13 of the Act defines 'rural area' 'as any area of the United States not included within the boundaries of any city, village or borough having a population in excess of fifteen hundred inhabitants' . . .".

This quotation from the Act appearing in the Solicitor's opinion clearly shows that **any person in any rural area** outside of the boundaries of a city, etc., having a population in excess of fifteen hundred is eligible to be the beneficiary of an REA loan. But this part of the Solicitor's opinion is not quoted or referred to by the Comptroller General.

Again, in this same opinion, the Solicitor stated: "In other words, the unserved persons whose benefit is the purpose of the loan must be in 'rural areas' . . ." This also is not referred to by the Comptroller General. He completely ignores the fact that the Solicitor, as shown by the above quotations, and by some 15 other statements to the same effect in that opinion, uses the word "competition" to mean only competition to serve persons **already served**. Instead, the Comptroller General makes the wholly unfounded statement that the word "competition", as used by the Solicitor, means the construction of **any REA-financed lines in the same area** where there are power company lines and then he "interprets" the Solicitor's opinion as meaning that REA loans are not available for **that kind of competition**.

To get the full impact of this unbelievable argument of the Comptroller General, we must remember that at the time the opinion of the Solicitor which he discusses was written, Vincent D. Nicholson was the lawyer in the Department of Agriculture

who was in charge of the legal work for REA. The Solicitor's opinion referred to by the Comptroller General was actually written by him and members of his staff, although this was done in consultation with the Solicitor and the Solicitor signed the opinion. This is normal Government procedure, as the Comptroller General well knows.

Mr. Nicholson, time and again, in testifying before Congressional Committees, gave the same description of the Administrator's loan powers that has always been given, even though the Comptroller General would now change those powers. (See Department of Agriculture's answer to first letter.) Mr. Nicholson did that with full knowledge of the opinion for which he had had the major responsibility. His staff, some of whom worked on that same opinion, always gave that same interpretation—and since the time of Mr. Nicholson's death, every successor, and every Solicitor and General Counsel of the Department of Agriculture, and every member of the legal staff servicing REA, has given the same interpretation.

Thus, in Solicitor's opinion No. 5564, dated as recently as June 5, 1953, which was referred to in the Department's brief, we find this flat statement on the lending authority of the Administrator:

"Thus, the provision, in section 4, authorizing loans for the purpose of furnishing electric energy to persons 'not receiving central station service', can be viewed both as (1) an assurance that REA funds would be expended for the benefit of the unserved, and (2) an assurance that REA funds would not be used to take existing customers away from their present suppliers. The inclusion of the 'rural area' provision, in addition to the 'central station service' provision, may have indicated a judgment on the part of the Congress that such urban areas either were being, or unquestionably would be, supplied with central station service by non-REA borrowers. Such inclusion may, therefore, have indicated a general intention to exclude REA financing with respect to areas so densely populated as to justify a conclusion that all persons in such areas who desired electric service could readily obtain it from the power companies. It should be noted, however, that the authorization in section 4 of the RE Act is not phrased in terms of areas, but relates to 'persons in rural areas who are not receiving central station service . . .' This was pointed out in the course of the Senate debate, as follows:

'Mr. King. If an organization were formed beyond the 10-mile limit to which I have just referred and within which limit the farmers are supplied with

electric energy, that organization would not be permitted to come back into the 10-mile area to furnish light to farmers already receiving it?

'Mr. Norris. Not to those already receiving it, but it might come into the 10-mile area and supply farmers who were not receiving it. That is a distinction which I think ought to be drawn.' (80 Cong. Rec. 2752.)

"Thus, the effect of the 'rural area' provision, in conjunction with the 'central station service' provision, is that REA may finance service to unserved individuals in a rural area, even though the area in general is served by another supplier, but may not do so in a non-rural area."

Numerous other opinions of the Solicitor of the Department of Agriculture have held to the same effect. In this connection see Opinions numbered: 4586, 4962, 4981, 4982, 5206, 5213, 5216, 5217, 5338, and 5385.

The Department of Agriculture, in its brief, pointed out most of these facts in support of its statement that the Comptroller General's position "is in conflict with the position unanimously adopted by the Solicitors and General Counsel of the Department of Agriculture . . ." The brief submitted on behalf of NRECA, which was prepared by two attorneys who had had many years of service on the legal staff serving REA, also stated this fact from the personal knowledge of those attorneys. Despite all this, the Comptroller General still persists in saying that the opinion of the Solicitor referred to substantiates his impossible position.

VI

Comptroller General Reverses Opinions of His Predecessors

Previous opinions of the Comptroller General have clearly placed in the Administrator of REA the responsibility and authority to determine in each instance whether a particular loan application meets the requirements of the Rural Electrification Act. The very quotations from those opinions which are now set forth in the new ruling of this Comptroller General clearly demonstrate this point.

Thus, the present Comptroller General quotes from the letter of a previous Comptroller General, dated March 12, 1943, B-32920, as follows:

"Of course, the question as to whether the basic purpose of a proposed loan in a particular case is to provide electric service to unserved persons in rural areas is a matter for determination administratively, rather than by this office, after a thorough consideration of the pertinent facts and circumstances in the case."

He also quotes from another letter written by a Comptroller General in 1943, in which it is clearly stated that these questions are for determination administratively rather than by the Comptroller General. (This last quotation ends with the qualification that the Administrator's discretion may not be abused. This qualification will be discussed later, under point VII, in its proper context.)

Despite this clear evidence that previous Comptrollers General have refused to interfere with the discretion of the Administrator, this Comptroller General not only persists in doing so, but insists that he is not departing from previous rulings.

There is another important point to be noted in connection with our consideration of the difference between the attitude and actions of previous Comptrollers General and those of the present Comptroller General. Although no Comptroller General in the past has undertaken to specifically interpret the words "persons in rural areas who are not receiving central station service" as they appear in the Rural Electrification Act—probably for the obvious reason that the language is so clear that it can have only one meaning—other Comptrollers General have shown that they both understood and accepted the plain meaning of the provision.

In that very part of the letter written by the Comptroller General to a Congressman on February 3, 1943, which the present Comptroller General quotes, the then Comptroller General states that the validity of a loan depends upon whether its basic purpose ". . . is to provide electric service to unserved persons in rural areas . . .". Also, in the quotation used by the present Comptroller General and set forth above, the basic purpose of a loan is again described as one ". . . to provide electric service to unserved persons in rural areas . . .". In that same letter, in a part not quoted by the present Comptroller General, it is stated that the power of the Administrator of REA to make loans must be ". . . viewed in the light of the **controlling intent of the Congress to provide electric service to persons in rural areas not receiving central station service . . .**". (emphasis supplied)

In another letter of a previous Comptroller General, written to Congressman Boren and dated December 1, 1942—from which the present Comptroller General does not quote—the then Comptroller General refers to "**. . . the essential statutory purpose of providing electricity to serve persons in rural areas . . .**".

This constant reiteration in letters and opinions of previous Comptrollers General of the clear purpose of the Act to provide service to unserved **persons** in rural areas, without explanation or qualification, clearly demonstrates that they agreed with the action of the Administrator in applying the Rural Electrification

Act as written—and not as the present Comptroller General would rewrite that Act.

How does the present Comptroller General treat this clear proof that he is reversing the rulings of previous Comptrollers General? By saying: “. . . we do not consider anything we said in our letter of July 21 to be **diametrically** opposed to the views of this Office as set forth by previous Comptrollers General” (emphasis supplied).

We submit that he must stand alone in this judgment of his action.

VII

The Comptroller General Attempts To Make Legislative History Sound Ambiguous

As demonstrated above herein, the Comptroller General has based his argument on a legal proposition that does not exist, namely, that even though the language of a statute is clear and unambiguous, and plain in meaning, it is yet permissible for him to look to the legislative history to change the plain meaning of that clear and unambiguous statutory language. Then, in turning to the legislative history, he not merely misstates it, and misconstrues it, and omits from it those additional parts which destroy his position, but even as he misstates that history he does not dare say that the history clearly and unambiguously means what he wants it to mean.

In fact, the most that even he dares to say is that “he does not believe” that a Senator means what he says, or that “he feels” that a Congressman means something different from what he says. Thus, even the Comptroller General at his strongest can only say that “he feels”, “he believes”, that Congress really intended something different from what it said. So we have the Comptroller General using what he, in effect, claims is ambiguous legislative history to change the plain meaning of clear and unambiguous statutory language.

This is indeed a new twist and we defy the Comptroller General to find any language, even language taken out of context, in any case or text book, that stands for the proposition that ambiguous legislative history can be so used.

Thus, it becomes ludicrous when the Comptroller General now quotes from a letter of another Comptroller General written in 1943, in which the then Comptroller General states that the question of whether the basic purpose of a proposed loan meets the statutory requirements is for decision administratively rather than for the Comptroller General, “**subject to the limitation that the Administrator’s discretion in this regard may not be abused**”—and the Comptroller General underscores this part of the quotation.

How the Comptroller General can even dare speak of abuse

of discretion by the Administrator, in a case where the Comptroller General must use non-existent law as an excuse for looking at legislative history which he contends is ambiguous in order to change the plain meaning of clear and unambiguous statutory language, is beyond comprehension. There is only one abuse in the present case, and that is the abuse by the Comptroller General of his authority, his function, the law, the legislative history and all of the facts pertaining to the issue.

VIII

Comptroller General Demonstrates Determination To Undermine REA Program

Space does not permit a paragraph by paragraph analysis of the Comptroller General's opinion. Literally volumes could be written showing how, **in every particular**, the opinion is in error and shows the determination of the Comptroller General to damage the rural electrification program.

Thus, he says that whether or not he has authority to review loans made by the Administrator, he intends to report to Congress any transaction which he **feels** is contrary to the intent of the statute—in this case, even though he admits the language of the statute clearly authorizes the loan in question.

Then, in discussing our reference in our previous brief to the decision of the United States District Court for the District of Columbia in the case of **Kansas City Power and Light Company, et al v. McKay, et al**, 115 F. Sup. 402, he deliberately ignores the fact that the District Court went into all of the merits of the case in a lengthy and careful opinion, and decided each substantive issue in favor of the Government, and in effect upheld our interpretation of the Administrator's powers to make loans. The Comptroller General tries to dismiss this matter by stating that the case was finally decided on appeal in favor of the Government on the "standing to sue" question—a fact which we had pointed out in our brief—and he further states that the circumstances in the cited case were not the same as those in the instant case. No one said that they were—but the principle of law involved is precisely the same.

In another case, not referred to by the Comptroller General, there is a holding on the meaning of statutory language which is directly analogous to the provision in the Rural Electrification Act that loans be made to furnish service to ". . . persons in rural areas who are not receiving central station service." In the case of **Williams Electric Coop. v. Montana-Dakota Utility Co.**, 79 N. W. (2d) 508 N.D., 1956), the Supreme Court of North Dakota had to interpret the words "not receiving similar service from another utility, or electric cooperative corporation . . .". This is what the Court said:

“As used in the statute, the phrase not ‘receiving similar service from another utility, or electric cooperative corporation’, has reference to service in fact as distinguished from ability to give service. There is no language in the statute from which it may be gathered that it was the intent of the legislature to extend the force of the statute to territory in which a utility or electric cooperative merely had the ability or desire to deliver electrical energy.”

This ruling is directly in point—and in favor of the Department of Agriculture. But apparently this is not the kind of authority that the Comptroller General is interested in. Therefore, we find no reference to or discussion of such authority in his opinion.

Fails To Mention Department Of Justice

Further illustration of the Comptroller General’s biased attitude is found in his failure to even mention the firm position taken by the Department of Justice in support of the Administrator’s position. As fully documented in the brief which NRECA filed with the Comptroller General in answer to his first letter, the Department of Justice, in briefs filed in cases contesting the Administrator’s lending authority, has flatly stated that such authority applies to all cases which involve service to unserved persons in rural areas, whether or not service is otherwise “available” to such persons. Yet this position of the Department of Justice is not only not accepted by the Comptroller General, but he does not even deign to mention it.

The Comptroller General magnanimously does deign to accept the well established rule of law that Administrative rulings over a long period are entitled to considerable respect and weight, but then goes on to say that even if an administrative determination is legally supportable under the language of a statute, if he considers it to be contrary to the **evident** spirit and intent of Congress in enacting the statute, he will report the matter to Congress. In the circumstances of this case, after his own plain demonstration that, even under his misuse and misinterpretation of the legislative history, the most that he can say is that “he feels”, or “believes”, or it “appears to him”, that the legislative history does not mean what it says—that he has “considerable doubt”—how the Comptroller General can conclude that the Administrator’s action is contrary **“to the evident spirit and intent of Congress in enacting that statute as disclosed by the legislative history thereof . . .”** (emphasis supplied) is beyond comprehension. What clearer proof is needed of the “evident intent” of the Comptroller General to damage the rural electrification program?

IX

The Comptroller General Uses Unverified Power Company Material and Assumptions

When the Comptroller General turns his attention to the specific case involved, he demonstrates beyond doubt—if any doubt still remains—that he has only one purpose in mind: The destruction of the rural electrification program. What he has given us is not the carefully considered judicious opinion of one Government official passing upon the action of another Government official, but the biased one-sided presentation of the power company. Thus, he says “the record before us”, “it has been reported”, “we understand”, “it appears from the record”, time and again in referring to facts which were not furnished him either by the Government or the cooperatives. Nor were those facts checked with these interested parties. Obviously, they could have been furnished him only by the power company.

In addition, wherever there may be facts which militate against his position, he does not ask for the facts but he **assumes** the contrary. Thus, when the Department of Agriculture points out that the line in question was being used to serve 307 new consumers and could have been justified on that basis, the Comptroller General “assumes” that the loan would not have been made unless service to the new plant was included.

And when the Department of Agriculture states that it is doubtful whether the service being rendered by the company at the old plant was sufficiently adequate even to constitute central station service, the Comptroller General merely states that the previous report he had received from the Department had not said that the existing service was inadequate; therefore, he completely dismisses that point, when he could easily have obtained the facts by a telephone call to the Department of Agriculture. Again, on the question of whether the price at which the power company was offering to render service to the new plant was reasonable, the Comptroller General merely states that he “assumed” that the price was reasonable. A telephone call to the Department of Agriculture would have given him the facts rather than an assumption—but apparently facts were not what the Comptroller General wanted.

It is inconceivable that any Government agency would treat another Government agency in such arbitrary fashion. Not only did the Comptroller General give no indication of what he was contemplating when he suddenly, and without warning, issued his first opinion in this matter, but after receiving exhaustive and convincing briefs from the Department of Agriculture, NRECA and the cooperatives involved, he proceeds to issue a second opinion without even requesting important facts, preferring to assume facts which will justify his position.

His treatment of the Department of Agriculture's action in this case would be amusing if the matter were not so important and the damage threatened so serious. In the instant case, a cooperative makes a loan application to the Administrator of REA. The Administrator feels that on the basis of that presentation he should not make the loan. The cooperative renews its application and furnishes the additional facts and information which convinces the Administrator that the application should be granted.

There are a number of other bases upon which the Administrator could have made the loan and those bases are set forth in the Department's brief. But, says the Comptroller General, since the Administrator did not make the loan on any of these other bases, the loan is still illegal. In other words, the Comptroller General is treating a loan study made by the Administrator and his staff as though it were a Court case, and any arguments or considerations not specifically used as the bases for making the loan are no longer available to the Administrator.

Let this be a full warning to all Government lending agencies. The Comptroller General now says in effect that every loan made by any of them must have in the loan docket at the very outset every conceivable reason and basis for making the loan. Otherwise the Comptroller General will disregard all of these valid reasons and bases when he decides to review the loan. Hereafter, it will not be sufficient for a lending agency to select just one valid basis for making the loan, but it must prepare its papers in the beginning so that they include every possible basis. This may seem fantastic, but it is what the Comptroller General has held in this case.

X

Comptroller General Now Would Not Disturb This "Illegal" Loan

The Comptroller General now says that although the loan is illegal nothing need be done about it—but, of course, it must not be done again.

In his original ruling the Comptroller General directed the Administrator to take steps to obtain the immediate return of the loan funds. If he is right in his ruling that the loan was unauthorized, that was a logical direction. Now, although he maintains his position that the loan was illegal, he tells the Administrator that he need not take any steps to obtain an immediate return of the money because the cooperative has spent the money and is under contract to return it over a 35-year period.

This new twist in logic is as confusing as the other mental

gyrations of the Comptroller General. If the loan is illegal, certainly it should not be permitted to stand. If it is illegal, it cannot be condoned and the money should be recaptured at once.

One cannot help but wonder whether this new bit of inspired reasoning by the Comptroller General does not result from the fact that he knows that no Court in the land would back up his position and that if the Administrator sued to obtain an immediate return of the money the Courts would expose the ruling of the Comptroller General for what it is—a completely ridiculous and unfounded ruling.

XI

The Comptroller General's Ruling Is Completely Confused and Confusing

The Comptroller General has actually given us different and conflicting standards with respect to the loans that the Administrator may make. Thus, he says that the Administrator may not make loans to serve unserved persons who are “along side of”, or “adjacent to”, or “within a reasonable distance of”, the lines of a power company when that power company is willing to serve such persons at a reasonable price. He also states as a requirement that the power company must be able to reach these unserved persons without extending its existing lines. He also states that the instant case is an illustration of the type of unserved rural person that may not be reached by REA financed lines.

In the instant case, it would have been necessary for the power company to reconstruct a substantial part of its existing facilities and to extend a heavy transmission line a distance of 160 feet to reach the new plant, at an expenditure of \$100,000. Since an extension would have been necessary in the instant case, how are we to interpret the Comptroller General's statement that the power company must be able to serve the unserved person without extension of its lines? Obviously, giving the word “extension” its normal dictionary meaning, the Comptroller General cannot have it both ways. Either the word “extension” is being used by him in some new and strange manner or he has contradicted himself. This is surely a point on which additional “clarification” is needed from the Comptroller General.

Also, in view of the facts of the instant case, some definition of “within a reasonable distance of” power company lines must be furnished. It is true that the Comptroller General has qualified his statement on this by noting, parenthetically, that the reasonable distance shall be as determined by the Administrator.

But in the instant case an expenditure of \$100,000 would have been required of the power company, for the reconstruction of existing facilities, plus the extension of a heavy transmission line for 160 feet. The Comptroller General has categorically stated that the new facility to be served was within a reasonable distance of the company's lines. Therefore, he does not permit the Administrator to make the determination in this case. What then happens to his statement that the Administrator shall determine what is a reasonable distance?

Unless the Administrator is actually to be given the full and final authority to make the determination, then the Administrator, in many instances, cannot feel free to make a loan to serve an unserved person in a rural area without first obtaining the approval of the Comptroller General, because the Comptroller General, although he states that the Administrator shall make the determination, by his action in the instant case shows that he has set himself up as an appellate court for each such determination made by the Administrator.

XII

Ruling Would Prohibit Loans For Generation and Transmission Facilities

The Comptroller General's ruling, if applied, would outlaw loans for new generating and transmission cooperatives. In the Brief which NRECA filed with the Comptroller General in connection with the Comptroller General's first letter it was pointed out that under his first letter "No generating loans would be made." The Comptroller General says nothing to allay this fear in his second letter. His opinion, if not "clarified," would seem to prohibit new loans for generating facilities, since the distribution cooperative is not merely "adjacent to", "along side of", or within a "reasonable distance of" the power company's lines, but is actually already "tied to the power lines" of the power company.

The failure of the Comptroller General to allay our fears on generating loans becomes more significant when we consider that he went out of his way to state that he was not objecting to loans made to "heavy up" existing cooperative facilities, even though there was no mention of loans for "heavying up" lines in the previous letter or the briefs filed. Therefore, his failure to state that generating loans, which were mentioned in NRECA's brief, were also permissible seems to be deliberate and not an oversight.

In any event, unless and until his ruling is altered by further "clarification", the Comptroller General would prohibit loans for generating and transmission.

XIII

**Many Other Loans of the Types Which Have Always
Been Made Would Be Prohibited**

The ruling of the Comptroller General, if applied, would prohibit many other loans of the types which have always been made. Let us consider just a few additional factual situations in which loans cannot be made if the opinion is applied. Take the not unusual case where a power company has a 115 kv transmission line which it has constructed and is using merely to connect two towns that it serves. The transmission line runs through the heart of a cooperative's territory, but it serves no persons in the cooperative's territory. An attractive load develops in the midst of the cooperative's territory under, or almost under, or within a "reasonable distance of" the company's transmission line. Suppose the company is willing to tap its transmission line at that point and install a substation to serve that load. Under the language of the opinion, the Administrator cannot lend the cooperative money to serve that load, even though it is in the heart of the cooperative's territory and outside of the power company's territory. Unless the Comptroller General issues another "clarification" of his opinion, even this type of loan would be considered unauthorized.

What happens if the cooperative's lines are also "adjacent to", or "along side of", or within a "reasonable distance of", the unserved consumer? Apparently the Administrator still cannot make a loan to serve that consumer. What if the cooperative's lines are closer to the unserved person than the lines of the power company? Apparently the loan is still prohibited. What if the cooperative's lines were there before the power company's lines? Apparently that would make no difference. What if the company's lines are completely inadequate? Apparently—at least if the power company says it is willing to put in new facilities—that would make no difference.

Many "Clarifications" Needed

It seems clear that, unless REA is to stop making loans, a great many additional "clarifications" must be made by the Comptroller General.

In fact, it would seem that REA might need a "clarification" in connection with each loan application to serve new consumers. If so, wouldn't the Comptroller General in effect become also the Administrator?

It is obvious that the Comptroller General still has no clear understanding of the operations involved and his ruling, if applied, would at least create tremendous confusion. It is un-

believable that anyone would attempt to make such an important ruling without even understanding its import.

Although the Comptroller General in his first letter merely said that the Administrator could not make a loan to serve areas where there were power company's lines and the power company was willing to serve, he has now added an additional requirement, and that is that the power company must be willing to sell "at a reasonable price". He does not say that this is a change from his original letter but it is, of course, a most important change. And it does not alter the fact that the ruling is still destructive of the rural electrification program. Furthermore, who is to decide what a "reasonable price" is, in particular circumstances?

Basically, of course, the REA program was created because the private power companies would not serve persons in rural areas at **reasonable prices**. They have always been willing to serve anyone, if they could charge enough.

On the question of the definition of the terms used by the Comptroller General—"adjacent to", "along side of", "within a reasonable distance" and "a reasonable price"—there cannot be a definite yardstick for all cases. What is a "reasonable distance" in Pennsylvania may not be a "reasonable distance" in South Dakota. And what may be a "reasonable price" in Vermont may not be a "reasonable price" in Tennessee.

It is no answer to say that the Administrator will make those determinations. How can he, when in the instant case the Comptroller General flatly says that a consumer who can be served by a power company only if the power company spends more than \$100,000 to rebuild existing lines and then extends its heavy transmission line for 160 feet is within a reasonable distance? What if the Administrator thinks it is an unreasonable distance? Obviously, with a Comptroller General who acts in this manner the Administrator could never feel safe with any decision until it had been approved by the Comptroller General.

What of the Administrator's right to make loans to "heavy up" lines already serving those whom the Comptroller General now says should not have been served? Although the Comptroller General's opinion specifically approves of loans to "heavy up" existing cooperative facilities, it raises the very important question of whether the Administrator can make loans for the purpose of "heavying up" those facilities which have already been built to serve persons who were "adjacent to", or "along side of", or within a "reasonable distance of", power company lines when the cooperative first began to serve them.

If the original loan was improper, can further loans be made for additional service to those people? If such further loans are prohibited, complete chaos and a breakdown of service will develop.

XIV

Ruling Would Impose a Tremendous Administrative Burden Upon the Administrator

If the Comptroller General's ruling is applied, even if it is "clarified" in the many respects that need clarification, it would create a tremendous, if not impossible, administrative burden. Presumably, in connection with each application to provide service for unserved persons the Administrator would have to make sure that none of the money was to be used to provide service to persons "along side of", or "adjacent to", or within a "reasonable distance of" power company lines.

This would require the cooperatives to submit detailed information and maps in connection with their loan applications, and it would also require the Administrator to make a careful study of that material and perhaps have the applications checked in the field. The additional administrative costs would be tremendous and the approval of loan applications would be greatly delayed, all to the serious detriment of the rural electrification program.

XV

Comptroller General Is Attempting to Intimidate the Administrator

The Comptroller General is obviously intending to intimidate the REA Administrator. The Administrator should, of course, completely disregard the opinion, since it is absolutely clear, as his own legal staff has definitely established, that there is no basis to it, and the only power of the Comptroller General in this matter is to make a report to Congress, as he has said he will do. It is doubtful, however, even though the Administrator rejects the Comptroller General's decision, that there will not, in fact, be some harmful effect upon the Administrator's decisions. For example, it is doubtful whether the Administrator would make additional loans where the facts are identical with or even very close to the facts in the instant case. Also, one cannot predict the extent to which this decision will influence other actions of the Administrator unless the decision is definitely struck down.

XVI

The Opinion Has Already Been Used Against the Rural Electrification Program

Not only will the opinion of the Comptroller General furnish material to be used in the future by the enemies of rural electrification in their propaganda and other attacks, but it has already been used in Commission proceedings against a cooperative.

In New Jersey, the question before the Commission was whether to approve the sale of Tri-County Rural Electric Cooperative to Jersey Central Power & Light Company. An important issue was the ability of the Cooperative to serve new consumers coming into its area. Proponents of the sale argued that, in view of the Comptroller General's opinion, REA loan funds might not be available to serve such new consumers, and therefore the public interest would best be served by having the power company take over.

This is but a sample of the tremendous harm which the Comptroller General's actions in this matter may produce. These opinions must be struck down!

XVII

Comptroller General's Ruling Is Actually a Hostile Power Company Brief

This second letter of the Comptroller General uses the same misleading approach of his original letter. Material is cited for propositions which the material does not support, but every effort is made to make the material seem to support the Comptroller General. The huge mass of material—such as case law, legislative history and congressional action—which definitely destroys his contentions is deliberately misapplied or ignored. Every fact, every authority and every argument contrary to the position he is determined to maintain is ignored or rejected.

The entire approach and tone of the letter is that of power company partisanship. In addition, the letter contains material which could not have come from any source but the power company. The letter should best be described as a power company brief rather than an opinion, or ruling, because its entire effort is to establish the correctness of a predetermined position destructive of the rural electrification program, and not to reach a judicious and objective conclusion. It appears to be a deliberate effort to give to the power companies everything they have sought in their attempt to destroy the rural electrification program, and which has been denied them by the Congress and the Courts. And, obviously, if this ruling were applied to the rural telephone program, it would destroy that program, also.

**Prepared For
NATIONAL RURAL ELECTRIC
COOPERATIVE ASSOCIATION**

**by
WISE AND POTAMKIN
Special Counsel**

WIBAUX, MONT., *March 2, 1959.*

Representative LEROY ANDERSON,
U.S. House of Representatives,
Washington, D.C.:

We urge your support of the Humphrey-Price bill. Do what you can to advance this bill from committee.

CHAS. E. JEWETT,
Manager, Golden West Electric Co-op.

KALISPELL, MONT., *February 27, 1959.*

Congressman LEROY ANDERSON,
Washington, D.C.:

The Flathead Electric Cooperative of Kalispell, Mont., with a membership of 2,000 power consumers desires passage of Humphrey-Price bill. Please contact members of House Government Operations Committee to indicate your interest and support.

FRED KRUEGER,
Vice President, Flathead Electric Cooperative, Inc.

DILLON, MONT., *March 2, 1959.*

LEROY ANDERSON,
House of Representatives,
Washington, D.C.:

The board of trustees of the Vigilante Electric Cooperative, Inc., Dillon, Mont., who represent 2,200 users, at their board of trustees meeting, February 18, 1959, passed a resolution urging every effort be made by our Representatives and Senators in Congress to use every effort possible to restore full and final authority to the REA Administrator on the rural electrification program. We urge you to contact the Government Operations Committee encouraging an early release of the Humphrey-Price bill together with any other action for full support of this legislation.

H. L. BABCOCK, *Manager.*

DILLON, MONT., *February 27, 1959.*

LEROY ANDERSON,
Representative, House Office Building,
Washington, D.C.:

The Montana State Rural Electric Cooperative Association, representing 40,000 member-users at their annual meeting in Missoula, November 14, 1958, passed a resolution urging Congress to reestablish full authority to the REA Administrator to make final approval of loans. In the interest of this great program, I urge you to contact the Government Operations Committee supporting the Humphrey-Price bill and encouraging immediate release of the bill by the committee. We, in Montana, desire your continued full support of the REA program as designed. Will give further support.

H. W. WHEAT, *President.*

CIRCLE, MONT., *March 2, 1959.*

Hon. LEROY ANDERSON,
House Office Building, Washington, D.C.:

Board of Trustees, McCone Electric Co-op, Inc., urge your active support for Humphrey-Price bill to restore REA Administrator loan power; 2,900 members at their 1958 annual meeting unanimously endorsed this bill.

JOHN VEJTASA, *President.*

ASSOCIATION OF ILLINOIS ELECTRIC COOPERATIVES,
Springfield, Ill., March 3, 1959.

Congressman WILLIAM L. DAWSON,
House Office Building,
Washington, D.C.

Dear Mr. Dawson: We have been informed that hearings are scheduled for March 6 for the subcommittee of the House Government Operations Committee, William Dawson, chairman, on the Price bill. These hearings will be limited to interested Congressmen; Secretary of Agriculture Benson; Kenneth Scott, USDA; David Hamil, Administrator of REA; and Clyde T. Ellis, general manager of the National Rural Electric Cooperative Association.

On the morning of March 26, 1958, the Illinois electric cooperatives presented a program to the congressional Representatives from Illinois, which prompted Congressman Melvin Price to introduce his bill. We believe the Price bill will insure a sound rural electrification for the future. Our Association of Illinois Electric Cooperatives sent three men to testify before the subcommittee hearings in June of last year. However, this bill did not get out of committee for a vote by Members of Congress.

The 27 electric cooperatives in Illinois fully endorse the Price bill and believe it should be passed in this session of Congress in order that our program can continue to serve the farm people in the State as it has done so well since the program was started in 1936.

We urgently request your support of the Price bill and would appreciate it very much if you would inform the members of the House Government Operations Subcommittee of your interest and support to have this bill reported out of committee in order that it can be voted on by all Members of Congress.

If you need further information in regard to the effect that the Price bill will have on our Illinois electric cooperatives, we will be glad to furnish it to you.

Very truly yours,

A. E. BECKER, *Manager.*

HOUSE OF REPRESENTATIVES,
Washington, D.C., March 3, 1959.

Hon. WILLIAM L. DAWSON, M.C.,
Chairman, Executive and Legislative Reorganization Subcommittee, House Government Operations Committee, Washington, D.C.

DEAR BILL: Here are copies of telegrams from the president of the Montana State Rural Electric Cooperative Association and officials of four REA co-ops in Montana in support of H.R. 1321.

I feel as they do—that the independent authority, which was his prior to adoption of Reorganization Plan No. 2 in 1953, should be restored to the Administrator of REA.

Since authority and control over REA was vested in the Secretary of Agriculture, he has exercised a veto over plans and programs of this agency.

Please make this letter and the enclosures a part of your hearing record.

Cordially,

LEE METCALF.

KALISPELL, MONT., *February 27, 1959.*

Congressman LEE METCALF,
Washington, D.C.:

The Flathead Electric Cooperative of Kalispell, Mont., with a membership of 2,000 power consumers desires passage of Humphrey-Price bill. Please contact members of House Government Operations Committee to indicate your interest and support.

FRED KRUEGER,
Vice President, Flathead Electric Cooperative, Inc.

DILLON, MONT., *February 28, 1959.*

LEE METCALF,
Representative, House Office Building, Washington, D.C.:

The Montana State Rural Electric Cooperative Association representing 40,000 member-users at their annual meeting in Missoula, November 14, 1958, passed a resolution urging Congress to reestablish full authority to the REA Administrator to make final approval of loans. In the interest of this great program, I urge you to contact the Government Operations Committee supporting the Humphrey-Price bill and encouraging immediate release of the bill by the committee. We, in Montana, desire your continued full support of the REA program as designed by Congress and feel that the Humphrey-Price legislation will give further support.

H. W. WHEAT, *President*

DILLON, MONT., *March 3, 1959.*

LEE METCALF,
House of Representatives, Washington, D.C.:

The board of trustees of the Vigilante Electric Cooperative, Inc., Dillon, Mont., who represent 2,200 users, at their board of trustees meeting February 28, 1959, passed a resolution urging every effort be made by our Representatives and Senators in Congress to use every effort possible to restore full and final authority to the REA Administrator on the rural electrification program. We urge you to contact the Government Operations Committee encouraging an early release of the Humphrey-Price bill together with any other action for full support of this legislation.

H. L. BABCOCK, *Manager.*

CIRCLE, MONT., *March 2, 1959.*

HON. LEE METCALF,
House Office Building, Washington, D.C.:

Board of trustees McCone Electric Co-op., Inc., urge your active support for Humphrey-Price bill to restore REA Administrator loan power; 2,900 members at their 1958 annual meeting unanimously endorsed this bill.

JOHN VEJTASA, *President.*

WIBAUX, MONT., *March 2, 1959.*

Representative LEE METCALF,
House of Representatives, Washington, D.C.:

We urge your support of the Humphrey-Price bill. Do what you can to advance this bill from committee.

CHAS. E. JEWETT,
Manager, Golden West Electric Corp.

MISSOULA, MONT.

Representative LEE METCALF,
House Office Building, Washington, D.C.:

We endorse Humphrey-Price proposal to restore Administrator's lending authority.

BOARD OF TRUSTEES, MISSOULA ELECTRIC COOPERATIVE, INC.

MISSOULA, MONT.

HOUSE GOVERNMENT OPERATIONS COMMITTEE,
House of Representatives, Washington, D.C.:

We endorse Humphrey-Price proposal to restore Administrator's lending authority.

BOARD OF TRUSTEES, MISSOULA ELECTRIC COOPERATIVE, INC.

HOUSE OF REPRESENTATIVES,
Washington, D.C., March 4, 1959.

HON. WILLIAM E. DAWSON,
Chairman, Subcommittee on Reorganization House Committee on Government Operations, Washington, D.C.

DEAR MR. DAWSON: Mr. Lee Wooden, president of the Oregon Electric Co-op Association, has asked me to convey to you his strong support of H.R. 1321, a bill which would strengthen the authority of the Administrator of the REA. In his statement is the phrase that "This bill is of the utmost importance to all electric cooperatives."

I would also like to take this opportunity to indicate my own strong support for H.R. 1321, and my hope that your committee will see fit to report this bill to the House at an early date.

Sincerely,

EDITH GREEN.

HOUSE OF REPRESENTATIVES,
Washington, D.C., March 5, 1959

GOVERNMENT OPERATIONS COMMITTEE,
*New House Office Building,
Washington, D.C.*

GENTLEMEN: I have just received a communication from the president of the Florida REA Cooperatives Association strongly supporting the Price bill scheduled for hearings tomorrow. I am not myself personally informed on the merits and demerits of this legislation, and upon reading it I find little enlightenment for a person who has not done the background study necessary; so in writing this letter to you today I am primarily expressing the strong and enthusiastic support of the above organization for this legislation, and I hope that this will be given consideration in the hearings.

With kindest regards, I am,

Sincerely,

CHARLES E. BENNETT, *Member of Congress.*

STATEMENT OF HON. LESTER R. JOHNSON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF WISCONSIN

Mr. Chairman and members of the committee, I favor the early passage of H.R. 1321, which, as I understand it, would, restore to the Administrator of REA all of the functions which were transferred from the Administrator to the Secretary of Agriculture by the Reorganization Plan No. 2 of 1953, giving him full authority to approve or deny loan applications that are made under provisions of the REA Act of 1936 as amended.

The Ninth Congressional District in west-central Wisconsin, which I represent, is predominantly rural in character. Even Eau Claire, the largest city in the district, is built around the processing and handling of agricultural products and serving rural people. As the representative of more than 300,000 people whose welfare is dependent upon agriculture directly or indirectly, I am vitally concerned with all legislative matters which affect their lives.

The rural electrification program is one of the Federally supported activities that has done most to improve the life of rural people in my district, in the whole of Wisconsin and in the entire country. I view with disfavor the continuation of any change that the REA program has undergone which poses a threat to its future.

I consider the application of Reorganization Plan No. 2 to REA as such a threat. In my opinion, it is dangerous to give a politically minded Secretary of Agriculture the authority to approve or disapprove applications for REA loan funds.

In my judgment, it is not the intent of Congress to have a well-paid and competent Administrator of the REA program sitting on the knee of the Secretary of

Agriculture, taking his orders and mouthing his words like a well-disciplined Charlie McCarthy.

People of my district have long ago lost confidence in the infallibility of Secretary Benson in the broad field of agriculture. In the special field of rural electric affairs, they have even less confidence in his judgment. They feel with considerable justification that the legislative proposals endorsed by Secretary Benson to raise REA interest rates and to have REA loan applicants go into the private money market for funds clearly demonstrates his lack of understanding and appreciation of their problems.

Because I share the concerns and apprehensions of my constituents, and because I believe that the bill before this committee will correct a threatening situation, I urge the committee to report out the bill before you so that it may be passed at the earliest date.

STATEMENT OF HON. STEVEN V. CARTER, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF IOWA

Mr. Chairman, I sincerely appreciate the courtesy of the subcommittee in permitting me to appear here this morning. I just want to make a brief statement in support of the Humphrey-Price bill (H.R. 1321) which is under consideration here today. The people of my congressional district, the Fourth District of Iowa, are virtually unanimous in their desire to have the REA become once again a semi-independent agency and to restore to the office of the REA Administrator the efficacy that it held prior to 1953.

Not one of us who has the capacity for objective thought can deny that the REA program has been, certainly if not the greatest, one of the greatest, sources of development that rural America has ever had. It has given the farmer and rural resident a standard of living comparable to that of his urban brothers. It has lightened his burden, increased his leisure time, and given him an opportunity to broaden his knowledge and productivity in other areas.

The REA now provides 95 percent of rural America with electric power. This was accomplished in just over 20 years and was carried out in extremely fine fashion. It was an effort that private power was unwilling to attempt and, in the usual unimaginative fashion, said could not be done. Now when it has proven its overwhelming success for all to see, the same political faction that said it could not be done is trying to stifle the completion of the task and, in fact, would like nothing more than to supplant the cooperatives, which are owned by the citizens of rural America, with private power concerns owned by a handful of special interests.

The Secretary of Agriculture, in keeping with one of the favorite practices of this administration, has been using the REA's loan appropriations figures in the old numbers game. He has been showing the loan appropriations for the cooperatives as a part of the expenses of running the Department of Agriculture. The truth of the matter is that these loans are earning money for the Government and many of the cooperatives are far ahead of the repayment schedule.

The farmer has had a rough enough time under the present administration. Unless we can do something to prevent it, he may still be put completely through the wringer in the next couple of years. Failure to report favorably on H.R. 1321 will simply be another move in that direction. As the spokesman for the people of the Fourth District of Iowa, I encourage you to report this bill favorably to the House of Representatives and to work to restore to the REA the degree of autonomy which it and its Administrator had before Reorganization Plan No. 2 of 1953. I would also like to take this opportunity to congratulate and thank both the Honorable Hubert H. Humphrey and the Honorable Melvin Price for their leadership in sponsoring this worthy piece of legislation.

Thank you for your courtesy and kind attention.

HOUSE OF REPRESENTATIVES,
Washington, D.C., March 4, 1959.

HON. WILLIAM L. DAWSON,
*Chairman, Subcommittee on Executive and Legislative Reorganization, House
Committee on Government Operations, Washington, D.C.*

DEAR MR. CHAIRMAN: I am informed that the Subcommittee on Reorganization is holding hearings on the Price bill (H.R. 1321) to amend Reorganization Plan No. 2 of 1953, on March 6, 1959.

It is my understanding that many witnesses will appear before the subcommittee at that time. I so strongly favor the Price bill that I, too, would like to appear before the subcommittee in person, but previously arranged commitments prevent my doing so. Therefore, I am using this means of informing the chairman and other members of the subcommittee of my feelings with regard to the bill you will be considering.

My colleague, Representative Lee Metcalf, as well as the other members of our Montana congressional delegation, Senators James E. Murray and Mike Mansfield, would like also to be associated with the views expressed in this statement.

Long before I came to Congress in January of 1957, I had a deep interest in the rural electrification program. I have seen the phenomenal growth of our rural electric systems as they extended their lines across the sparsely settled plains and along the valleys of Montana. I would hesitate to guess how long our farmers and ranchers would have had to wait for the private power companies to serve them. Through the use of the cooperative form of organization which is true democracy in action, the rural people of this country have made progress that would have been impossible had they depended on the power companies. Our people wanted low-cost nonprofit electric service and by their own efforts they reached that goal.

The people of Montana like the REA program and the social philosophy that made it a success. Conversely, they view with disfavor any changes which threaten its future expansion and improvement.

The campaign that has been carried on in the past few years by President Eisenhower, Secretary Benson, and other top officials which is aimed at raising interest rates and driving rural electric systems to Wall Street for loan funds reflects a dangerous change in the philosophy governing the program. It differs greatly from that which prevailed during the Roosevelt and Truman administrations.

It is little wonder that the officers and members of the electric cooperatives are afraid of the harm that can come to their systems as long as Secretary Benson wields loan approving authority and other controls over the REA. They would like to see the program removed from Secretary Benson's direct control. In this I am in full agreement.

The Price bill which amends Reorganization Plan No. 2 of 1953 will achieve this end without taking REA out of the Department of Agriculture. As one of our major agricultural programs, REA should, I believe, be kept in the Department of Agriculture under the direction of an Administrator who would administer it without political or philosophical bias. And, as provided in the bill, the Administrator would have full authority to approve or disapprove loan applications on the basis of economic, legal and technical standards.

I appreciate what you are doing on behalf of this essential program, and I hope that H.R. 1321 will receive the full approval of your subcommittee and the House.

Enclosed are telegrams from interested groups in my State, which I would like made a part of the record of the committee hearings.

Sincerely yours,

LEROY ANDERSON,
Member of Congress.

HOUSE OF REPRESENTATIVES,
Washington, D.C., March 6, 1959.

HON. WILLIAM L. DAWSON,
Chairman, Subcommittee on Executive and Legislative Reorganization, House Committee on Government Operations, Washington, D.C.

DEAR CHAIRMAN DAWSON: It has recently come to my attention that your committee will hold hearings on the Price bill (H.R. 1321). I would appreciate your including my statement in support of this legislation as a formal part of the hearings.

While I am a new Member of the Congress, I am well acquainted with the great role the rural electrification program has played in aiding not only rural America but the entire Nation as well. My own district harbors 7 rural electric cooperatives, and within the State of Kentucky we have 28 rural electric cooperatives.

Many Members of Congress remember as I do the pre-REA era of darkness and have personally experienced the great social benefits that have accrued to

the Nation through the rural electrification program. Few programs, if any, that the Congress has sponsored, have in my estimation done so much for so many people.

In this light, I must recoil at any thought or suggestion which seeks to harm or jeopardize the continued successful operation of this program. This program, as demonstrated, has operated most successfully under an administrative setup whereby the REA Administrator, approved by the Congress, has full authority to act in the capacity of determining loan feasibility and it is inconceivable for me to imagine anyone in good faith attempting to change this proven operating procedure. Changes for changes' sake alone have always struck me as being the most spurious kind of endeavor.

I cannot but conclude from analysis of the record that the REA administrative operating procedure has been changed not for any good purpose but to do harm to the program. The record established before your committee last year during the Price hearings amply demonstrated that the Congress should take immediate steps to reconstitute the operations of the Rural Electrification Administration so that it will operate as it did previous to the edict handed down by Secretary Benson under which all loans in excess of \$500,000 and all new loans must be reviewed by Mr. Kenneth L. Scott, Director of Agricultural Credit. There is no doubt in my mind that the only reason behind this new administrative procedure was to establish a new criterion for judging the feasibility of any loan in question. This criterion is a political criterion and at least up until the time of this edict, the making of loans by the REA administration was strictly a non-political activity.

It is my strong conviction that REA should continue as a nonpolitical entity.

For the various reasons I have mentioned, and the other excellent reasons and facts presented by rural electric cooperative witnesses, I wish to announce publicly my full support of the Price bill, H.R. 1321.

Respectfully submitted.

FRANK A. STUBBLEFIELD,
Member of Congress.

STATEMENT OF HON. GEORGE E. SHIPLEY, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF ILLINOIS

Mr. Chairman and members of the committee, I am very happy to have this occasion to support the bill, H.R. 1321, introduced by my distinguished colleague, Congressman Price of Illinois. The bill has a single purpose, but a very important one, namely to restore to the Administrator of the Rural Electrification the final authority for approval or disapproval of loans made under the provisions of the Rural Electrification Act of 1936 (7 U.S.C. 901, 914). This authority was taken away from the REA Administrator under Reorganization Plan No. 2 of 1953, which transferred certain functions of the REA Administrator to the Secretary of Agriculture. This bill, as we all recognize, does not go as far as the bill my distinguished colleague Congressman Price, introduced last year which would have returned to the Administrator of REA all of the independent authority he possessed prior to Reorganization Plan No. 2. By the bill before the committee today, the essential function of the REA Administrator is brought into sharper focus, and the merits of retaining the Administrator's independence in this vital function can be brought forth more clearly without distracting side issues.

What has happened about 2 years ago now is that the Secretary of Agriculture stripped the REA Administrator of authority to make loans to new REA borrowers and any new loans of more than \$500,000 to any REA borrower unless he had the specific advance authority of the Secretary functioning through the Director of Agriculture Credit Services, an office that was set up in the Department of Agriculture.

Clearly this is bureaucratic supervision at its worst. This whittling away at the independent authority of the REA Administrator can have no other effect than causing greater delays and more difficulty for REA cooperatives in obtaining worthwhile and necessary loans. Now if the record of the REA were stained with corruption or even with lax administration, we might consider approval by the Secretary of Agriculture of these loans as an additional, even if cumbersome, safeguard. However, as all of us are aware, the record of the REA has been outstanding. President Eisenhower himself, despite his announced request to have the interest rates on future REA loans raised, clearly recognizes this. As

he said in his speech to the annual meeting of the National Rural Electric Cooperatives Association less than a month ago (February 11, 1959) ;

"We all know that when the REA was born, less than 11 percent of our farms had central station electric service. Today, more than 95 percent of our farms have central electric service. Your record of meeting loan payments on time or ahead of schedule is outstanding. Your achievements have encouraged the growth of both rural residences and rural industries."

At the present time, the intent of the Congress when it passed the Rural Electrification Act is lamentably, and, to my mind, inexcusably being thwarted. The REA Administrator has lost his independence. He cannot act on a new borrowing application but must clear it with the Secretary of Agriculture. No matter how good the borrowing and repayment record of a cooperative has been, if it wants to borrow over \$500,000, the loan cannot be approved by the REA Administrator without advance clearance from the Department of Agriculture's credit services.

Being subservient to the Secretary of Agriculture, the Administrator is clearly subject much less directly to the will and the scrutiny of the Congress. The growth of rural electrification systems has been retarded. REA borrowers should again have direct access to the person with the real authority over REA funds—that should be the Administrator of the Rural Electrification Administration.

The present situation must be, and can be remedied. The bill which is before you today will do much to reinstitute the REA program to the status it had before Reorganization Plan No. 2 was put into effect. I urge its prompt adoption by this committee so that the House may be able to act upon it as soon as possible.

Thank you.

STATEMENT OF HON. JAMES E. MURRAY, A UNITED STATES SENATOR FROM THE STATE OF MONTANA

Mr. Chairman and members of the subcommittee, I am availing myself of this opportunity to express my wholehearted support of the Price bill (H.R. 1321) which is designed to rescue REA from the political hand of the Secretary of Agriculture.

As you know, H.R. 1321 is identical to S. 144 which has been introduced by Senator Humphrey, my colleague from Montana, Senator Mansfield, and a number of other Senators including myself. My own support therefore, is 100 percent back of this bill.

This is a moderate bill. It is designed to restore to the Administrator of REA the authority he had prior to the Secretary of Agriculture's reorganization of REA about a year and a half ago under the Reorganization Plan No. 2 of 1953.

There are many reasons for taking REA out from under Secretary Benson's rule altogether. But this bill does not go to such extremes. It will merely put REA back to the state of power and responsibility that proved so successful through the 15 years or so before the Secretary took over. The bill does not set up any new agencies in an already overcrowded bureaucratic maze. But it does free the REA Administrator from political interference.

I would like to remind the committee that I was first elected to the U.S. Senate in 1934 and during the more than 24 years since that time I have supported the Rural Electrification Administration program from the modest beginning that was authorized by President Roosevelt's Executive order dated May 11, 1935, to the present time. During a period of less than one generation we have seen a remarkable change brought about in rural life in this country. Less than 6 percent of Montana's farms were electrified with power from central power stations in 1935. Today nearly 88 percent of our farms have such service. In the United States as a whole more than 95 percent of all farms have central station electric service. This transformation was brought about in a large measure by the REA and it took place for the most part before the Reorganization Plan No. 2 took much of the Administration's authority and transferred it to the Secretary of Agriculture.

When the Congress established the REA it was our intention to divorce its activities from partisan politics. We established the office of the Administrator and gave that office full authority to carry out a constructive program. We set the term of office of the Administrator at 10 years because we wanted to give

continuity of direction to the program for a period that would minimize the possibility of frequent change for political reasons.

Farmers in Montana, and I am sure elsewhere in the country, who are so dependent upon the efficient operation of rural electric systems see dangers in having Secretary Benson invested with great authority over the REA program. Statements frequently made by Secretary Benson in which he has advocated the private financing of rural electric systems and higher rates of interest on REA loans quite naturally cause farm people to question his understanding of the program and his sympathetic consideration of rural problems.

Directors and managers of our rural electric systems are even more concerned with the possibility of the Secretary invoking new restrictive criteria on the approval of their loan applications. While no serious impairment of the program has come to light to date, our rural people would feel more secure if control were taken from a politically appointed officer and returned to the hands of an Administrator who would have an unbiased interest and the professional competence to evaluate the merits of loan applications solely on the basis of their technical, legal, and financial feasibility and necessity.

For the reasons noted above I urge you to report out the bill before you so that we may vote its passage at the earliest possible time.

I insert for the hearing record wires I have received in support of the Humphrey-Price bill from the following:

John Vejtasa,
McCone County Electric Co-op,
Circle, Mont.

Chas. E. Jewett, Mgr.
Golden West Electric Co-op
Wibaux, Mont.

H. L. Babcock, Manager
Vigilante Electric Cooperative, Inc.
Dillon, Mont.

H. W. Wheat, president
Montana State Rural Electric Cooperative Association
Dillon, Mont.

CIRCLE, MONT., *March 2, 1959.*

HON. SENATOR JAMES E. MURRAY,
Senate Office Building, Washington, D.C.:

Board of trustees, McCone Electric Co-op Inc., urge your active support for Humphrey-Price bill to restore REA Administrator loan power; 2,900 members at their 1958 annual meeting unanimously endorsed this bill.

JOHN VEJTASA.

WIBAUX, MONT., *March 2, 1959.*

SENATOR MURRAY,
U.S. Senate, Washington, D.C.:

We urge your support of the Humphrey-Price bill. Do what you can to advance this bill from committee.

CHARLES E. JEWETT,
Manager, Golden West Electric Co-op.

DILLON, MONT., *March 2, 1959.*

SENATOR JAMES MURRAY,
Senate Building, Washington, D.C.:

The board of trustees of the Vigilante Electric Cooperative Inc., Dillon, Mont., who represent 2,200 users, at their board of trustees meeting February 28, 1959, passed a resolution urging every effort be made by our Representatives and Senators in Congress to use every effort possible to restore full and final authority to the REA Administrator on the rural electrification program, we urge you to contact the Government Operations Committee encouraging an early release of the Humphrey-Price bill together with any other action for full support of this legislation.

H. L. BABCOCK, *Manager.*

DILLON, MONT., *February 27, 1959.*

SENATOR JAMES E. MURRAY,
Senate Office Building, Washington, D.C.:

The Montana State Rural Electric Cooperative Association, representing 40,000 member-users at their annual meeting in Missoula, November 14, 1958, passed a resolution urging Congress to reestablish full authority to the REA Administrator to make final approval of loans, in the interest of this great program.

I urge you to contact the Government Operations Committee supporting the Humphrey-Price bill and encouraging immediate release of the bill by the committee.

We, in Montana, desire your continued full support of the REA program as designed by Congress and feel that the Humphrey-Price legislation will give further support.

H. W. WHEAT, *President.*

PARK ELECTRIC COOPERATIVE, INC.,
Livingston, Mont., March 3, 1959.

Senator JAMES E. MURRAY,
U.S. Senate, Washington, D.C.

DEAR SIR: The board of directors and the manager of the Park Electric Cooperative, Inc., note that action is soon to be taken on the Price-Humphrey bill to restore a measure of independence to the Rural Electrification Administration. We feel that legislation in this direction is imperative if the program is to succeed on a long-term basis, and strongly urge you and the rest of the Montana delegation to support this bill.

Yours very truly,

GILBERT GIBSON, *President.*
W. H. SENNETT, *Manager.*

STATEMENT OF HON. GEORGE MCGOVERN, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF SOUTH DAKOTA

Mr. Chairman, and members of the committee, I am grateful for the opportunity to appear before you today and offer this brief statement in support of H.R. 1321 and similar measures. I am the sponsor of H.R. 3029, an identical bill.

It is my sincere belief that this legislation is needed to insure that the best interests of the millions of farmers who depend upon REA-established cooperatives for their electric energy will be protected. In addition, those farm people who are still without this valuable service need the assurance that their needs will receive sympathetic consideration.

Modern-day agriculture is heavily dependent upon electricity for efficient operation. However, the benefits that farmers derive from abundant, low-cost power go far beyond the farm gate. They are reflected in more efficient food production methods from which the entire populace benefits, as well as increased sales of electrical appliances on Main Street and greater profits in the big manufacturing centers.

The Rural Electrification Administration was established for one major purpose—to provide farmers with the means of bringing electrical energy to their farms, when no other means was available.

Since the inception of the program, the number of electrified farms has increased from 11 percent in 1936 to more than 95 percent today. On June 30, 1958, according to the REA Administrator's report, 777 borrowers had paid in a balance of \$128,651,918 in advance of due date. Only four borrowers were delinquent for more than 30 days in payment of their interest and principal. This is eminent proof that the program has been highly successful.

Fortunately, we have had capable and understanding REA Administrators. But regardless of how sympathetic an Administrator might be, he cannot discharge his duties and manage the program in the interest of rural people if his decisionmaking powers are usurped by a higher authority.

Such danger is inherent in section 1 of Reorganization Plan No. 2, of 1953. Under this provision, the Secretary of Agriculture has the authority to deprive the REA Administrator of his powers to approve loans over a specified limit.

Mr. Chairman, I do not think that any Secretary of Agriculture should be given this authority. Prior to this 1953 reorganization, there was never any question that the REA Administrator had the sole and ultimate authority for approving REA loans to cooperatives. This is one good reason why the program has been so successful. Since the REA Administrator has all the facts at his command and is in close touch with the REA organizations, he is much better equipped to make the decision on loans and other policies affecting the REA cooperatives.

My bill and similar measures would restore this full authority to the REA Administrator. I respectfully urge prompt and favorable action by the committee on this necessary legislation.

MISSOULA, MONT., March 4, 1959.

Representative LEROY ANDERSON,
House Office Building, Washington, D.C.:

We endorse Humphrey-Price proposal to restore Administrator's lending authority.

BOARD OF TRUSTEES,
Missoula Electric Cooperative, Inc.

Mr. Angus McDonald.

Miss HARBO. I am here to present a statement. I am Esther Harbo, director of education for the Rocky Mountain Farmers Union, and I am here in the absence of Angus McDonald to read a prepared statement by him, and the statement is in support of H.R. 1321, which would amend Reorganization Plan No. 2 of 1953.

STATEMENT OF ESTHER HARBO, DIRECTOR OF EDUCATION, ROCKY MOUNTAIN FARMERS UNION

Miss HARBO. We are appearing here in support of H.R. 1321 which would amend Reorganization Plan No. 2 adopted in 1953 which made it possible for the Secretary of Agriculture to lessen and weaken the authority of the Rural Electrification Administrator in regard to the approval of loans.

I call attention to testimony presented to the Senate Government Operations Committee, June 18, 1958, relating to an identical bill which the committee is now considering. We have not changed our views since that time.

We support without any reservation the bill sponsored by Representative Price and a number of other members of the House of Representatives. The relationship of Secretary of Agriculture Benson to the rural electric cooperatives has probably been discussed more than any other aspect of the farm program.

While we do not know if all of the charges made against the Secretary are completely true, we have grave doubts about the wisdom of his decision to remove from the REA Administrator the power of loan approvals. Our information is that the Secretary of Agriculture may exercise a veto power on all new loans and on all loans over \$1 million which would make possible an expansion of existing REA facilities.

It seems to us that the Administrator should have power to approve or disapprove a loan. He is responsible for the success or the failure of the program and as a matter of course obtains the most competent and experienced engineers and economists who make surveys and develop facts which justify the approval or disapproval of a loan.

Under the law every dollar loaned to a rural electric cooperative must be returned to the U.S. Treasury, plus 2 percent interest. Although the furnishing of electric service to farmers is not a very profitable business, because revenues are extremely small compared to the revenues forthcoming from urban areas, everyone agrees that the Rural Electrification Administration has a very fine repayment record.

One reason we suspect for the excellent businesslike administration of REA is that the Administrator has in the past had complete authority to consider a loan application on its merits without interference from outside loan applications, outside the Administrator's office, have had little or no experience in the rural electrification program.

We urge the committee to favorably report H.R. 1321.

Chairman DAWSON. Any questions, Mr. Smith?

Mr. SMITH. No questions.

Chairman DAWSON. Thank you very much. That is all of the witnesses for today. If there is no further business, we will stand adjourned and take this up next week in executive session.

Thank you very much.

(Whereupon, at 12:45 p.m., the subcommittee adjourned.)

(The following matter was received for the record:)

HOUSE OF REPRESENTATIVES,
Washington, D.C., March 9, 1959.

CHAIRMAN, COMMITTEE ON GOVERNMENT OPERATIONS,
George Washington Inn, Washington, D.C.

(Attention: Clerk of Subcommittee on Executive and Legislative Committee.)

DEAR SIR: In accordance with previous arrangements, I am enclosing my statement in support of H.R. 1321 and similar legislation to be included in the committee record of the hearing on said measures.

Most cordially yours,

MERWIN COAD,
Representative in Congress.

STATEMENT OF HON. MERWIN COAD, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF IOWA

Mr. Chairman, members of the committee, I appreciate this opportunity to express my thoughts upon H.R. 1321 and similar measures and to go on record in favor and support of this measure.

There is no question in my mind about the need of this legislation to protect the best interests of the millions of farmers in this country who depend upon REA-established cooperatives for their electrical power. Further, it is important to regain basic foundations of the office of the Rural Electrification Administration to assure those who are without electricity will have the same opportunity to obtain this valuable service that their neighbors who now have this service enjoyed during the early years of operation of the REA program.

Electricity and modern agriculture fit hand in glove. Abundant low-cost power has stepped up farm efficiency a hundredfold. It has bestowed city conveniences and benefits upon country living, which have in turn reflected back to all segments of our population the benefits of efficient production of low-cost foods. Also, along with the availability of electrical power, has risen the demand for all types of electrical appliances and tools for use on the farm. This demand has produced sales in our rural towns and kept people employed in our manufacturing centers.

Authorized by Congress in 1936 the REA program was established to provide farmers with the means of bringing electrical power to their farms, when no other means were available. To accomplish this major objective of the program Congress saw fit to vest all powers of the Administration in the REA

Administrator, including the express power to grant loans to provide central station electric service to rural areas. In 1939 REA was transferred to the Department of Agriculture by Reorganization Plan No. 2 of 1939. At that time the Secretary of Agriculture issued regulations governing the organization's administrative functions, but policy determinations relating to the rural electrification program were primarily determined by the REA Administrator, subject to the general supervision of the Secretary.

The authority thus vested in the REA Administrator within this organizational framework was used wisely by a capable and understanding Administrator. The outstanding record of this program proves this, and points out the wisdom of Congress of creating the office of Administrator with such powers in the first instance.

Under section 1 of Reorganization Plan No. 2 of 1953 the Secretary of Agriculture has the authority to deprive the REA Administrator of his powers to approve loans over a specified limit. This provision is inherently dangerous to the smooth operation of the administration of the program as envisioned by the Congress in the creation of the program.

No Administrator can fully discharge his duties and manage this program in the interest of rural people, if his policy determinations are made subject to change by a higher administrative authority.

Since the Administrator has all the facts at his command and is in close touch with the REA organizations, he is in a much better position to make the policy decisions and the loan decisions than anyone else. The success of the program in the past will certainly attest to that.

For these reasons Mr. Chairman, I support legislation which would restore full authority to the REA Administrator, and still retain the program within the Department of Agriculture.

HOUSE OF REPRESENTATIVES,
Washington, D.C., March 18, 1959.

HON. WILLIAM L. DAWSON,
Chairman, Government Operations Committee,
New House Office Building,
Washington, D.C.

DEAR CHAIRMAN DAWSON: I have received the attached House Concurrent Resolution "O," adopted by the 36th Legislative Assembly of the State of North Dakota, wherein it is urged that Congress retain the present 2 percent interest rate applying to loans made to rural electric cooperatives.

This resolution is being forwarded to you, inasmuch as your committee will undoubtedly consider relevant legislation should such be introduced or considered in the Congress.

I will appreciate your bringing this expression to the attention of the members of your committee, and also ask that it be incorporated as a part of any committee testimony on this subject.

With kindest personal regards, I am,

Sincerely yours,

DON L. SHORT, *Member of Congress.*

THIRTY-SIXTH LEGISLATIVE ASSEMBLY, STATE OF NORTH DAKOTA, BEGUN AND HELD AT THE CAPITOL IN THE CITY OF BISMARCK, ON TUESDAY, THE SIXTH DAY OF JANUARY, ONE THOUSAND NINE HUNDRED AND FIFTY-NINE

HOUSE CONCURRENT RESOLUTION "O"

(Anderson of McHenry, Hauf, Magnuson, Burk, Klinger, Anderson of Stutsman, Rolfsrud, Tescher, Guy, Nicolson, Winge, Knutson of Benson, Strand, Breum, Solberg, and Larson)

A CONCURRENT RESOLUTION URGING CONGRESS TO RETAIN THE PRESENT TWO PERCENT INTEREST RATE APPLYING TO LOANS MADE TO RURAL ELECTRICAL COOPERATIVE ASSOCIATIONS OR CORPORATIONS

Whereas a number of proposals were presented to the Eighty-fifth Congress proposing an increase in interest rates on loans to rural electrification associations; and

Whereas the Congress, by enacting the Pace Act in 1944 and thereby fixing such interest rates at two percent, made a covenant with the rural electrical cooperatives to proceed with area coverage at reasonable retail rates; and

Whereas the proposed increased interest rates would have a detrimental effect on rural electrical cooperative associations or corporations operating in sparsely settled areas; and

Whereas we believe the continuance of the two percent interest rate is necessary to enable the rural electrical cooperative associations and corporations to complete the task of providing full, efficient, and reasonably priced electrical service on an area-coverage basis: Now, therefore, be it

Resolved by the House of Representatives of the State of North Dakota, the Senate concurring therein, That we urge the Congress of the United States to vigorously oppose any change or proposed change in the law which would effect an increase in the interest rate on loans to rural electrical cooperative associations or corporations; and be it further

Resolved, That copies of this resolution be forwarded by the chief clerk of the House of Representatives to the President of the United States Senate and Speaker of the United States House of Representatives and to each member of the North Dakota congressional delegation.

HJALAMAR C. NYGAARD,
Speaker of the House.
 GERALD L. STAIR,
Chief Clerk of the House.
 C. P. DAHL,
President of the Senate.
 VIC GILBREATH,
Secretary of the Senate.

HOUSE OF REPRESENTATIVES,
 Washington, D.C., March 6, 1959.

HON. WILLIAM L. DAWSON,
Chairman, Subcommittee on Government Operations,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: During the course of the hearing this morning I promised Congressman Brown that I would submit for the record whatever information I could find in response to a question which he posed to me.

As I remember the question which he posed, it was something like this: "Do you know of any specific instance in which the Secretary of Agriculture has interfered in the granting of a loan"?

My answer is that it is unlikely that anyone except a person sitting in the inner circle at the Department of Agriculture would be in a position to answer this question. It is impossible to know what shuffling in criteria takes place as loans are ruled upon. Naturally Secretary Benson would not give out this information. The applicants for loans to whom this has happened would not say so, because of fear that it would jeopardize their chance for a loan in the future.

The only way of getting this kind of information is in the reaction we get from the people who are most intimately concerned—the applicants for loans.

The fact that I am being swamped with mail requesting this type of legislation is indicative of the feeling that a change is needed. They do not state specifically why this change is needed because they know that any moneys that may come to them in the future will have to come from this organization and they do not want to prejudice any loan request which they may make in the future.

A good example of the feeling on this subject is in the fact that one night last December 1958, when the roads were dangerously icy, 58 farmers representing in an official capacity 5 REA cooperatives travelled many miles to meet with me and to tell me why this legislation is needed.

Sincerely yours,

LEONARD G. WOLF, *Representative in Congress.*

×

RURAL ELECTRIFICATION LOANS

HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON
AGRICULTURE AND FORESTRY
UNITED STATES SENATE
EIGHTY-SIXTH CONGRESS



FIRST SESSION

ON

S. Res. 21

A RESOLUTION EXPRESSING THE SENSE OF THE SENATE
CONCERNING THE MAKING OF LOANS BY THE RURAL
ELECTRIFICATION ADMINISTRATION

MARCH 5 AND 6, 1959

Printed for the use of the Committee on Agriculture and Forestry



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1959



COMMITTEE ON AGRICULTURE AND FORESTRY

ALLEN J. ELLENDER, Louisiana, *Chairman*

OLIN D. JOHNSTON, South Carolina
SPESSARD L. HOLLAND, Florida
JAMES O. EASTLAND, Mississippi
HUBERT H. HUMPHREY, Minnesota
STUART SYMINGTON, Missouri
HERMAN E. TALMADGE, Georgia
WILLIAM PROXMIRE, Wisconsin
B. EVERETT JORDAN, North Carolina
STEPHEN M. YOUNG, Ohio
PHILIP A. HART, Michigan

GEORGE D. AIKEN, Vermont
MILTON R. YOUNG, North Dakota
BOURKE B. HICKENLOOPER, Iowa
KARL E. MUNDT, South Dakota
JOHN J. WILLIAMS, Delaware
ANDREW F. SCHOEPPPEL, Kansas

COTYS M. MOUSER, *Chief Clerk*

SUBCOMMITTEE ON AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION

SPESSARD L. HOLLAND, Florida, *Chairman*

HERMAN E. TALMADGE, Georgia
STUART SYMINGTON, Missouri
STEPHEN M. YOUNG, Ohio

KARL E. MUNDT, South Dakota
ANDREW F. SCHOEPPPEL, Kansas
JOHN J. WILLIAMS, Delaware

CONTENTS

Statement of—	Page
Aiken, Hon. George D., a U.S. Senator from the State of Vermont.....	2
Curtis, Hon. Carl T., a U.S. Senator from the State of Nebraska.....	45
Ellis, Clyde T., general manager, National Rural Electric Cooperative Association.....	204
Hamil, David A., Administrator, Rural Electrification Administration, U.S. Department of Agriculture.....	79
Humphrey, Hon. Hubert H., a U.S. Senator from the State of Minnesota.....	46
Keller, Robert F., General Counsel, General Accounting Office.....	101
McDonald, Angus, coordinator, division of legislative services, National Farmers Union.....	122
Mynatt, Edward F., Assistant General Counsel, U.S. Department of Agriculture.....	90
Ramsey, Ralph E., Associate General Counsel, General Accounting Office.....	101
Rathbun, Henry T., representing the Iowa-Illinois Gas & Electric Co. Scott, Kenneth L., Director of Agricultural Credit Services, U.S. Department of Agriculture.....	117
Sparkman, John J., a U.S. Senator from the State of Alabama.....	78
Whitmore, Charles, president, Iowa-Illinois Gas & Electric Co., Davenport, Iowa.....	48
Wise, William C., representing the National Rural Electric Cooperative Association.....	51
Miscellaneous documents—	125
S. Res. 21, 86th Congress.....	1
Telegrams and letters to Senator Aiken from—	
Lec Wooden, president, Oregon Electric Co-op Association, Salem, Oreg.....	3
Arthur Jamieson, president, New York State Rural Electric Cooperative Association, Hartwick, N.Y.....	4
John M. George, Idaho State director, Idaho REA Co-ops, Lewiston, Idaho.....	4
W. S. Thomas, secretary-treasurer, Pennsylvania Rural Electric Association, Forksville, Pa.....	4
Wesley S. Thomas, manager, Sullivan County Rural Electric Cooperative, Forksville, Pa.....	5
Ben Eldredge, president, Crawford Electric Cooperative, Bourbon, Mo.....	5
Cone Hunter, president, California Rural Electric Co-op Association, Portola, Calif.....	5
Opinion of the Comptroller General, July 21, 1958.....	8
Letter of Comptroller General, August 5, 1958.....	12
Reply of Department of Agriculture, August 7, 1958.....	13
Opinion of Comptroller General, October 15, 1958.....	22
Reply and analysis by the Department of Agriculture, October 29, 1958.....	35
Letter of Comptroller General, December 8, 1958.....	41
Letter from Senator Mansfield.....	47
Letter to Comptroller General from the Iowa-Illinois Gas & Electric Co., October 10, 1957.....	57
Report of Department of Agriculture to the Comptroller General on complaint by the Iowa-Illinois Gas & Electric Co., dated December 3, 1957.....	64
Supplemental letter to Comptroller General from Iowa-Illinois Gas & Electric Co., March 3, 1958.....	68

Miscellaneous documents—Continued	Page
Brief filed with the Comptroller General by attorneys for Iowa-Illinois Gas & Electric Co., March 26, 1958.....	71
Letter to Lehigh Sewer Pipe & Tile Co. from Fort Dodge, Des Moines & Southern Railway, May 19, 1955, relative to rates.....	72
Supplemental letter to Lehigh Sewer Pipe & Tile Co. from Fort Dodge, Des Moines & Southern Railway, October 4, 1955, relative to rates.....	75
Supplemental letter to Comptroller from Iowa-Illinois Gas & Electric Co., September 19, 1958.....	76
Letter from David A. Hamil, Administrator, Rural Electrification Administration, dated March 9, 1959, relative to REA loan policies.....	83
Statement filed by Hon. James E. Murray, a U.S. Senator from the State of Montana.....	97
Telegram from Julius Helm, general manager, Missouri State Rural Electric Association, Jefferson City, Mo.....	99
Statement filed by Hon. Lister Hill, a U.S. Senator from the State of Alabama.....	99
Statement filed by Rural Electrification Administration relative to REA rates for power furnished the Lehigh Sewer Pipe & Tile Co.....	114
Brief prepared for the National Rural Electric Cooperative Association on the Comptroller General's opinion of July 21, 1958.....	127
Analysis prepared for the National Rural Electric Cooperative Association of Comptroller General's ruling of October 15, 1958.....	155
Statement filed by the Rural Electrification Administration relative to approval of the contract between the Greene County Rural Electric Cooperative and the Lehigh Sewer Pipe & Tile Co.....	193
Resolution adopted by the rural electric regions.....	203
Resolution adopted by the National Rural Electric Cooperative Association.....	204
Brief filed with the Comptroller General by the Central Iowa Power Cooperative, September 3, 1958.....	205
Supplemental letter filed by Charles H. Whitmore, president, Iowa-Illinois Gas & Electric Co., Davenport, Iowa.....	210
Telegram to Senator Hartke from A. D. Meller, general manager, Indiana Statewide Rural Electric Cooperative, Inc., Indianapolis, Ind.....	213
Statement filed by Hon. John Sherman Cooper, a U.S. Senator from the State of Kentucky.....	213

RURAL ELECTRIFICATION LOANS

THURSDAY, MARCH 5, 1959

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURAL CREDIT AND
RURAL ELECTRIFICATION OF THE
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:30 a.m., room 324, Senate Office Building, Senator Spessard L. Holland, Chairman of the Subcommittee (presiding).

Present: Senators Holland, Ellender (chairman of the full committee), Talmadge, Young of Ohio, Mundt, Williams, and Schoeppel.

Also present: Senators Humphrey, Aiken, and Curtis.

Senator HOLLAND. The subcommittee will please come to order.

We will first hear the witnesses who wish to appear on S. Res. 21, offered by the Senator from Vermont, Mr. Aiken, for himself and several other Senators. I ask that S. Res. 21 first be inserted in the record.

(S. Res. 21 is as follows:)

[S. Res. 21, 86th Cong., 1st sess.]

RESOLUTION

Whereas the Comptroller General of the United States in decisions (B-134138) dated July 21, 1958, and October 15, 1958, in questioning the validity of a portion of a loan made by the Rural Electrification Administration to the Central Iowa Power Cooperative, Cedar Rapids, Iowa, interpreted the Rural Electrification Act, in the first decision, as not authorizing loans for service to persons who are actually without central-station service if they are located in an area generally served by a power supplier; and, in the second decision, as not authorizing loans to serve persons, in fact without service, if they are located "on", "along side of", or "within a reasonable distance" of a line of a power supplier; and

Whereas the Acting Secretary of Agriculture, in a letter dated August 7, 1958, to the Comptroller General, requested reconsideration of the first decision because it was inconsistent with the express provisions of the Rural Electrification Act, its legislative history, congressional understanding, uniform administrative practice, and legal interpretations and opinions during the 22 years following enactment of the Rural Electrification Act and, by letter dated October 29, 1958, informed the Comptroller General that these objections were equally applicable to the interpretation of the Rural Electrification Act expressed in the second decision and could therefore not be agreed to; and

Whereas the interpretation of the Rural Electrification Act proposed by the Comptroller General in either of his decisions, if it had been applied to the rural electrification program from its inception, would have prevented that program's great contributions to agriculture and the rural areas of the Nation and to the national economy generally and, if now applied, would drastically curtail the future great potential of the rural electrification program: Now, therefore, be it

Resolved, That it is the sense of the Senate that the Rural Electrification Act of 1936, as amended, continue to be interpreted to authorize the making of loans

for the construction of facilities to bring electric service to persons who are in fact not receiving central-station service, and to continue to serve those who are presently being served, in accordance with the Acting Secretary of Agriculture's letters of August 7, 1958, and October 29, 1958, to the Comptroller General, and that the proposed limitation on the authority of the Rural Electrification Administration introduced in the Comptroller General's decisions of July 21, 1958, and October 15, 1958, be rejected as contrary to the clear intent of the Congress.

Senator HOLLAND. Do we have a report from the Department on that measure?

Senator AIKEN. They are testifying this morning, aren't they?

Senator HOLLAND. Mr. Clerk, do you have a report from the Department on that?

The CLERK. No.

Senator AIKEN. Their testimony will be their report, I take it.

Senator HOLLAND. I understand there is no report from the Department, but that there are witnesses here from the Department who will be heard during the hearing.

I will call as the first witness the Senator from Vermont, Mr. Aiken.

STATEMENT OF HON. GEORGE D. AIKEN, A U.S. SENATOR FROM THE STATE OF VERMONT

Senator AIKEN. Mr. Chairman and members of the committee, I am deeply grateful for the opportunity afforded me by this hearing on S. Res. 21, introduced by 14 Senators from both sides of the aisle, for whom I had the honor of acting.

I want to speak on behalf of this resolution and reaffirm my long and ardent support of the rural electrification program. This committee and the cosponsors of S. Res. 21 have consistently and vigorously supported REA.

Congress has given this great program bipartisan support since the enactment of the Rural Electrification Act almost 23 years ago.

The purpose of this enactment was to bring electric service to unserved persons in rural America. It was administered on this basis for over 22 years. It has brought the benefits of electricity to 20 million rural people through loans totaling almost \$4 billion.

For over 22 years, no one questioned the fact that when Congress said "persons not receiving central-station service" it meant persons, not areas.

Then on July 21, 1958, the Comptroller General of the United States decided that a person not receiving service was receiving if he was in an area served by another power supplier.

The Department of Agriculture, in reply, pointed out that this "area" idea could not be supported by the language of the act. Nor could it be supported by legislative history, congressional understanding, uniform administrative practice and consistent legal interpretations.

Then the Comptroller, on October 15, 1958, decided that what he really meant when he said "area" was "on", "alongside of" or "within a reasonable distance" of an existing line.

As the Department pointed out in its letter of October 29, 1958, this modification of the Comptroller's decision was equally fallacious and objectionable from a legal point of view.

It also added insurmountable administrative obstacles, and great dangers to the continued soundness of the REA cooperatives.

It would enable hostile companies to deprive cooperatives of essential future REA financing and completion of area coverage merely by building a line through the heart of the cooperative's area.

From the point of view of the REA, the difficulties in applying such a nebulous concept as "reasonable distance" and determining the variety of factors to be taken into consideration and the weight to be given to each, could as a practical matter, play havoc with the program.

Imagine, if you will, the Administrator of the Rural Electrification Administration attempting to determine with respect to each consumer in each loan, whether that particular consumer was on, alongside of or within a reasonable distance of an existing powerline, and then saying to that consumer, "you cannot have the benefits of electric service through an REA loan because you are within a reasonable distance of an existing powerline. Your neighbor, across the road, is 160 feet further from the existing line, so we will serve him."

Under this second decision of the Comptroller General, the Administrator would also be required to determine the willingness and ability of the existing power supplier to furnish adequate service at reasonable rates.

The net result of this decision would be to hamstring the REA as a lending agency, designed and created to bring electricity to rural America, and create a new, sprawling bureaucracy with the functions of a rural public service commission.

I can conceive of no proposal which would have more effectively prevented the great contributions made by REA to agriculture, to the Nation's rural areas and to the national economy generally than that represented by these decisions of the Comptroller General.

These contributions of the REA should be enthusiastically commended, not tarred with the brush of alleged illegality.

The Comptroller General has attempted to create doubts concerning congressional intent, which have never existed in Congress itself.

Congress, in its frequent reviews of the administration of the REA program, has placed its unequivocal stamp of approval on the basic ground rules REA has been following.

Persons in rural areas actually without central station electric service are entitled to the benefits of the REA program.

The adoption of this resolution will in clear and loud terms reemphasize and reaffirm this fundamental congressional intent.

I therefore, urge prompt and favorable action on Senate Resolution 21.

I have some communications which I will give to the committee, Mr. Chairman, from the REA in Oregon, New York, Idaho, Pennsylvania and, I think, Missouri, and possibly other States.

Senator HOLLAND. Without objection, those communications will be included in the record.

(The communications referred to are as follows:)

SALEM, OREG., March 3, 1959.

U.S. Senator GEORGE AIKEN,
Senate Office Building, Washington, D.C.:

Oregon electric cooperatives give strong support your Comptroller resolution, also Curtis bill (S. 75). We are very grateful for your support.

LEE WOODEN,
President, Oregon Electric Coop. Association.

HARTWICK, N.Y., March 4, 1959.

Senator GEORGE AIKEN,
Senate Office Building, Washington, D.C.:

All cooperatives here have requested New York State Senators support of your Senate Resolution 21 in regard to Comptroller General. Thanks for your good efforts on many matters. We hope for your support on Price-Humphrey bill to restore REA Administration's authority on loans.

ARTHUR JAMIESON,
President, New York State Rural Electric Cooperatives Association.

LEWISTON, IDAHO, March 3, 1959.

The Honorable Senator AIKEN,
Senate Office Building, Washington, D.C.:

The Idaho REA co-ops extend their support to your resolution to kill Comptroller's REA ruling.

JOHN M. GEORGE,
Idaho State Director.

PENNSYLVANIA RURAL ELECTRIC ASSOCIATION,
FORKSVILLE, PA., January 26, 1959.

Senator GEORGE AIKEN,
Senate Office Building, Washington, D.C.

DEAR SENATOR AIKEN: I am enclosing copies of a resolution passed by the Pennsylvania Rural Electric Association at its regular meeting last week.

The many thousand people in Pennsylvania directly connected with the Rural Electrification Cooperatives are deeply indebted to you and other Senators taking this interest in our behalf.

May I also express my personal appreciation.

Sincerely,

W. S. THOMAS,
Secretary-Treasurer, Pennsylvania Rural Electric Association.

RESOLUTION PASSED BY THE PENNSYLVANIA RURAL ELECTRIC ASSOCIATION MEETING IN REGULAR SESSION AT FORT BEDFORD INN, BEDFORD, PA., JANUARY 21 AND 22 WITH REFERENCE TO SENATE RESOLUTION 21 INTRODUCED BY SENATOR GEORGE AIKEN AND COSPONSORED BY SENATOR JOSEPH CLARK

Whereas on July 21, 1958, the Comptroller General of the United States issued a ruling construing the provisions of the Rural Electrification Act of 1936, which state that loans will be made thereunder to serve any "persons in rural areas not receiving central station electric service" to mean, in effect, that the act authorized loans to serve "unserved areas" rather than "unserved persons," and that loans cannot therefor be made to furnish electricity to persons without such service if a power company, unwilling or unable to serve them, happens to have lines in the general areas; and

Whereas such ruling is potently contrary to the legislative intent of the Congress in enacting such act, and, if enforced to its inescapable conclusion, will seriously undermine the functioning of all rural electric cooperative companies to the detriment of their members, and to the curtailing of the benefits of electric power to large numbers of the citizenry of this country residing in rural areas; and

Whereas it is now of the greatest importance that the Congress reaffirm in unmistakable terms its legislative intent in enacting the aforesaid provisions of the Rural Electrification Act of 1936: Now, therefore, be it

Resolved, That the Pennsylvania Rural Electric Association consisting of 13 Rural Electric Cooperative Companies serving upward of 70,000 citizens of Pennsylvania in its rural areas, endorses and approves Senate Resolution 21 submitted by Senator George Aiken and cosponsored by Pennsylvania's Senator Joseph S. Clark which would appropriately reaffirm the legislative intent above mentioned; and be it further

Resolved, That the members of this association pledge their best efforts to support and promote the passage of such resolution; and be it further

Resolved, That we unanimously commend Senator Joseph S. Clark for his sponsorship of such resolution; and be it further

Resolved, That a copy of this resolution be transmitted by the secretary to Senator Joseph S. Clark, and to Senator George Aiken.

SULLIVAN COUNTY RURAL ELECTRIC COOPERATIVE, INC.,
 Forksville, Pa., February 20, 1959.

Senator GEORGE AIKEN,
 Senate Office Building, Washington, D.C.

DEAR SENATOR AIKEN: The board of directors of this cooperative met in regular session yesterday, and gave consideration to Senate Resolution 21.

I am enclosing copies of the action taken by my board of directors, and may I personally extend my well wishes. We sincerely appreciate your efforts in the cooperative's behalf.

Very truly yours,

SULLIVAN COUNTY RURAL ELECTRIC
 COOPERATIVE, INC.,
 WESLEY S. THOMAS, *Manager*.

RESOLUTION

Whereas forces opposed to the electric cooperatives are making a united effort through every possible media, including our elected officials as well as personnel of the executive branch of our Federal Government, to bring hardship on the electric cooperatives of this great land, and

Whereas the electric cooperatives have in the past and will continue to be a large segment of our social and economic structure dedicated to the development of the rural areas across the land: Now, therefore, be it

Resolved, That Senator George Aiken and Senator Joseph S. Clark be commended for their many considerations and particularly at this time, the sponsorship of Senate Resolution 21, which in itself is a direct bulwark for the protection and continuation of the electric cooperatives in their endeavors aforementioned; and be it further

Resolved, That the manager forward copies of this resolution to Senator Aiken and Senator Clark on behalf of the board of directors and the membership of the Sullivan County Rural Electric Cooperative.

CRAWFORD ELECTRIC COOPERATIVE, INC.,
 BOURBON, MO., February 3, 1959.

The Honorable GEORGE AIKEN,
 U.S. Senate, Washington, D.C.

DEAR SIR: On behalf of the Crawford Electric Cooperative, Inc., I want to express our appreciation for the stand you have taken in regards to the REA program.

You have the respect, confidence and admiration of all our people for your making a special effort in defense of our 2 percent interest rate and other REA obstacles despite adverse circumstances.

We send you our sincere thanks.

Very truly yours,

CRAWFORD ELECTRIC COOPERATIVE, INC.,
 BEN ELDREDGE, *President*.

PORTOLA, CALIF., March 5, 1959.

Senator GEORGE D. AIKEN,
 Senate Office Building, Washington:

California cooperatives strongly support Senate Resolution 21. Your continued support of our problems helps all people in our remote areas to reap benefits of central station electric service.

CONE HUNTER,
President, California Rural Electric Co-op Association.

Senator AIKEN. I will also give you for your information but will not ask to have included in the record, a copy of the law which was

enacted in the State of Vermont which tends to prevent situations which would embarrass the REA in its operations or prevent spite-line building and all that sort of thing between different companies. I will leave this law with you but I will not ask to have it in the record unless you want it there.

Senator HOLLAND. Do you mean that the State in setting up its legislation to authorize the creation and functioning of the cooperative associations in this field, imposed conditions which you think would tend to minimize or destroy any chance of harmful friction resulting from the operation?

Senator AIKEN. That is true. That was brought about by the fact that there might be an unserved area. The REA would plan to serve it. The utility which didn't intend to service it in the first place would run a line out in the middle of it, picking up three or four of the best customers and making it either high cost or impossible to serve the others on the cooperative line.

In 1957 the State passed legislation which defines public utility policy and extension of service and the terms under which they could be served. That is, the utility may say "we will serve this area" but unless they were going to serve it at reasonable rates they would not be permitted to go in there.

Senator HOLLAND. Since the committee will be studying this whole field, are we to understand that you commend the methods included in the State laws of Vermont as being in your opinion effective to the degree that you think they should be studied in connection with the question?

Senator AIKEN. No, Mr. Chairman. I would not go so far as to endorse the Vermont law word for word because I did not get around to read it until this morning. I do know that the law effectively put a stop to gouging, spite-line building, and things like that. As far as I know, the REA and corporations as well as the municipalities have had no difficulty since this enactment.

Senator HOLLAND. The chairman of the subcommittee has had an opportunity to discuss this matter briefly with the present witness, and he understood from that discussion that there was some question coming out of the rulings of the GAO that might possibly affect the legality of loans earlier granted by REA. I haven't heard any coverage of that matter in the presentation.

Senator AIKEN. Mr. Chairman, I think that question was raised by the Comptroller General's Office and in one case the Comptroller General virtually directed the REA to recover a loan or rescind a loan which had already been made.

In the second opinion of the Comptroller General, he stated that in the absence of a concrete decision by the Congress he would not attempt to make collections or call any loans that had been made over the last 22 or 23 years. But that is purely a negative position the Comptroller General has taken. It is subject to change at any time. His opinion as to the intent of the Congress, so far as I know, still stands, although he has indicated he would not undertake to enforce it. That is not a satisfactory situation.

Senator HOLLAND. Is it a part of your intention as a principal sponsor of this resolution, to set at rest any question about the legality of the loans heretofore made, both those loans that have been extended and those loans which have been partially extended and on which

funds are still in the hands of the Administration awaiting disbursement?

Senator AIKEN. That, of course, would be the principal intent.

Also, I think that this resolution would establish the intent of the Senate on how the law is now unless and until the present law is modified.

Senator HOLLAND. The measure is a Senate resolution. Has the Senator considered the possibility of offering a concurrent resolution?

Senator AIKEN. I considered that possibility and then I also felt we should get this thing settled as soon as possible. Realizing the length of time it takes for concurrent resolutions to go all the way through Congress, I felt that the Senate had better express itself. I also thought that one body of Congress expressing itself would effectively control the situation.

Senator HOLLAND. It is, as you have indicated, your principal purpose to quiet any question as to prior loans whether extended or not, and also to declare the policy which will be effective as to future ones?

Senator AIKEN. That is true, as far as the Senate's attitude is concerned. The REA cooperatives have loans and they are all paying off the loans as required by law, or virtually all of them. They are naturally uneasy not knowing when the Comptroller General or some future Comptroller General might rescind his decision not to undertake recalling of loans which he thinks are illegal on the basis set forth in his ruling.

Senator HOLLAND. Thank you, sir.

Senator TALMADGE, do you have any questions?

Senator TALMADGE. I do want to ask two or three questions to clarify this situation. As I understand it, the Comptroller General has taken the position that the Administrator of the REA has made an erroneous decision in making loans to the Iowa Power Cooperative, Cedar Rapids, Iowa. Is that the question at issue?

Senator AIKEN. That was the case which brought the matter before the Comptroller General for decision, I believe.

Senator TALMADGE. Is that the only question to be solved by the resolution or are there other questions to be solved also?

Senator AIKEN. No, I think that the loans which have been made to a very large percentage of the REA co-ops in the country would be in jeopardy if the Comptroller General's decision is permitted to stand, and that all of the loans might be subject to recall.

Senator TALMADGE. Was it the decision of the Comptroller General that the REA Administrator went beyond the scope of the REA Act in authorizing loans?

Senator AIKEN. The Comptroller General undertook to interpret the intent of the Congress of 23 or 24 years ago and his interpretation is not in accord with the general understanding of the Congress or the executive branch of the Government which has been administering the REA loan program.

Senator TALMADGE. I regret that I am not too familiar with the duties of the Comptroller General. What authority does he have, if any, to question the legal acts of the various administrative agencies of the Government?

Senator AIKEN. The Comptroller General is an agent of the Congress, of course, and acts on cases in the executive branch which are

referred to him from time to time. This was the case that was referred to him. I am sure that REA witnesses who will come on later will explain that in detail to you.

He questioned this loan and that also throws maybe 500 other co-operatives' loans into question.

Senator TALMADGE. When acting in his official capacity, does he have the authority to withhold or deny loans at his discretion?

Senator AIKEN. I wouldn't want to speak as an authority on that. I think that he has considerable authority, however, in that respect.

Senator TALMADGE. Isn't he attempting to interpret the original REA Act in his ruling?

Senator AIKEN. The intent of Congress.

Senator TALMADGE. Unfortunately, I am not too familiar with the act. Does the act state that these loans shall not be made if existing power facilities are available in the area?

Senator AIKEN. I think I have explained that. The Comptroller General, on July 21, decided that a person not receiving service was receiving service if he was in an area served by another power supplier.

The Department of Agriculture in reply pointed out that this "area" idea could not be supported by the language of the act; that if a person was not receiving power he was not receiving power even though he was in an area, we will say, of maybe 200 yards or maybe 10 miles of an existing power line. It would be almost impossible for the Department of Agriculture and the REA to administer the law under the decision by the Comptroller General, and the Department of Agriculture took vigorous exception and frankly told him that they couldn't administer the law that way. They would have to determine what is a "reasonable distance," what is an "area," what is "being on a line" means, and what does "alongside" mean. They point out that they would simply become a glorified public service commission for rural areas and would have to decide each case by itself. This would simply hamper, if not destroy, the principal purpose of the REA.

Senator HOLLAND. Would you excuse me a minute?

Senator TALMADGE. Yes.

Senator HOLLAND. Do you have copies of the two rulings by the Comptroller General? Unless there is objection, I suggest they be inserted at this time, because what you are doing is relating your testimony to those two letters, as I understand it.

(The opinions by Comptroller General referred to and replies by the Department of Agriculture are as follows:)

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, July 21, 1958.

The Honorable the SECRETARY OF AGRICULTURE.

DEAR MR. SECRETARY: Reference is made to our letters of October 28, 1957, and April 14, 1958 (B-134138), to you, concerning a loan of \$11,173,000 made by the Rural Electrification Administration (REA) to the Central Iowa Power Cooperative (CIPCO), part of the proceeds (\$120,000) of which was to be used to enable CIPCO to furnish power to a member cooperative for resale by the member to Lehigh Sewer Pipe & Tile Co. (Lehigh), Lehigh, Iowa.

The record before us discloses that the loan in question was approved by the Acting Administrator, Rural Electrification Administration, on September 9, 1955, for the purpose of financing the construction by CIPCO of certain electric generation and transmission facilities including one 44,000-kilowatt generating unit, 128 miles of 115-kilovolt transmission line, 176.5 miles of 34.5-kilovolt trans-

mission line, and related substation and switching facilities, for the purpose of furnishing electric energy to CIPCO's eight REA-financed member cooperatives. Included in the 176.5 miles of 34.5-kilovolt transmission line were 20 miles designated the "Lehigh tap," the purpose of which was to enable CIPCO to furnish one of its member cooperatives, Greene County Rural Electrification Cooperative (Greene County), a supply of power for a large power load in the vicinity of Lehigh, Iowa. The large power load needed in the vicinity of Lehigh apparently was for a new building or plant that Lehigh proposed to construct near an existing plant it owned. The cost of this 20 miles of line was estimated at \$120,000.

Your Department, by letter dated December 3, 1957, advised us that the loan was made pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901-924), and in accordance with the administrative findings required by section 4 of that act (7 U.S.C. 904). This latter code section provides, in pertinent part, as follows:

"The Administrator is authorized and empowered * * * to make loans for rural electrification * * * for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas *who are not receiving central station service* * * *." [Emphasis added.]

Section 2 of the same act (7 U.S.C. 902) also contains an unserved person or central station service limitation.

The record discloses that a plant of Lehigh located on a tract of ground outside the town of Lehigh, Iowa, was being furnished 25-cycle electric service by the Fort Dodge, Des Moines & Southern Railway Co. (the predecessor of the Iowa-Illinois Gas & Electric Co.) at the time the loan to CIPCO was made. Prior to the making of the above-referred-to loan, Lehigh decided to build another building or plant on the same tract of ground approximately 160 feet away from its existing plant and operate both plants or buildings, apparently as separate entities. Lehigh contemplated using machinery in the new plant which would require 60-cycle electric service. It appears that by letter dated May 19, 1955, the railway company offered to supply 60-cycle electric service to Lehigh. Further, it appears from the record that the railway company again, orally, on September 28, 1955, offered to furnish Lehigh 60-cycle service for its proposed new plant and confirmed such offer in writing by letter dated October 4, 1955. Lehigh, however, apparently did not desire to accept such service from the railway company on the ground that the rate quoted by the company would prevent Lehigh from producing its products at a competitive price. Lehigh, therefore, entered into negotiations with Greene County for 60-cycle service and subsequent to the date of the above-referred-to loan entered into a contract with Greene County for such service.

Greene County in October 1955, in accordance with its REA loan agreements, submitted for REA approval a contract for electric service between it and Lehigh. Also, CIPCO submitted plans and specifications providing for construction of the Lehigh tap to serve Greene's new substation. It appears that the proposed electric service to Lehigh was the principal justification for the transmission line tap and new substation. As indicated above, the funds (\$120,000) for construction of this line were included in the \$11,173,000 loan made by REA to CIPCO on September 9, 1955. It appears from the record that the power contract was returned to Greene without approval in November 1955, and that REA approval to construct the transmission line and substitution was also withheld. Apparently, REA withheld approval of the power contract and construction of the Lehigh tap on the ground that Lehigh was already receiving "central station service" from the railway company, since, as indicated above, the record discloses that Lehigh at its existing plant was receiving 25-cycle service from that company.

In April 1956, Greene County and CIPCO again requested approval of a contract for electric service between Greene County and Lehigh, and apparently REA approval to use \$120,000 of the loan funds to construct the Lehigh tap. It further appears from the record that the Greene County-Lehigh power contract was approved in June of 1956, together with the approval of the proposed construction of the Lehigh tap. The basis for this approval is explained by your Department in a letter to us dated May 5, 1958, signed by Mr. K. L. Scott, Director, Agricultural Credit Service, as follows:

"The findings and determinations made by REA with respect to the use of loan funds in this case are summarized in an affidavit, copy of which is enclosed, filed in the U.S. District Court for the District of Columbia by Fred

Strong, Deputy Administrator, REA. Mr. Strong's affidavit states in part that 'an administrative determination was made, pursuant to title 7, United States Code, section 904, that Lehigh, at its new plant, was not receiving central station electric service.' *It thus appears that REA did not base its determination on the nonavailability of power from another supplier, but as reflected in Mr. Strong's affidavit, on the fact that the new plant was a person not receiving central station electric service.* [Emphasis added.]

It appears from the Department's letter to us dated December 3, 1957, that the determination that Lehigh's so-called new plant was a person not receiving central station service was based on certain facts presented by Greene County and CIPCO to the effect that the "proposed contract contemplated service not to the existing Lehigh plant nor to an extension of or addition to the existing plant, but to a completely new, separate, and independent plan." Moreover, your Department contends, in effect, that even if Lehigh is considered a single person with respect to its old and new plant, at the time the loan was made, September 9, 1955, an administrative finding on the assumed facts, that Lehigh was not receiving adequate central station service from the railway would have been administratively justifiable and legally supportable. See your Department's above referred-to letter of May 5, 1958.

It is clear from the above quoted provisions of section 4 of the Rural Electrification Act of 1936, as amended (7 U.S.C. 904), and also from section 2, that the Administrator has no authority to make a loan for the purpose of furnishing electric service to persons in rural areas who are receiving central station service. The question as to whether the basic purpose of a proposed loan in a particular case is to provide electric service to unserved persons in rural areas is a matter primarily for determination administratively after a thorough consideration of the pertinent facts and circumstances in the case in the light of the purpose and intent of the Congress in including the central station service limitation in section 2 and 4. However, the Rural Electrification Act does not appear to make this determination final and conclusive.

It may be that literally accepted the terminology of section 4 (and see. 2) is sufficiently broad to authorize a loan for the purpose of furnishing central station electric service to a person not receiving such service, even though the service is available to such person and that the effect of the loan will be to create competition with an existing private utility. However, in construing or considering the application of a statute it is permissible to look at its evident spirit and purpose as well as the strict letter of the law and the strict letter must yield to its evident spirit when this is necessary to give effect to the intent of the Congress.

The legislative history of the central station service limitation indicates that the limitation was included because of a legislative intent to exclude loans for the purpose of paralleling existing systems and thus creating competition for the established utilities. That this is the purpose of the limitation was acknowledged by a former Solicitor of your Department in opinion No. 4506 dated November 24, 1942, appearing at page 498, Rural Electrification Planning, Hearing Before a Subcommittee of the Committee on Interstate and Foreign Commerce, House of Representatives, 79th Congress, 1st session on H.R. 1742. The Solicitor said in his opinion that—quoting from the opinion as it appears in the hearing:

"A study of the debates in Congress and the Committee hearings indicates that this provision was inserted because of a legislative intent to exclude loans for the purpose of paralleling existing systems and thus creating competition with established utilities. * * *

* * * * *
 "It seems clear from the legislative history that the intent of the limitation was to prevent loans that would create federally financed competition with existing utility enterprises. * * *

"Where the effect of a proposed loan, regardless of its essential purpose, would be to substitute a competitive REA-financed service to persons already served, the loan may not be made. For example, it is my opinion that a competing line could not be financed even though it were only a small part of a system designed to reach unserved persons and even though the project could not properly be developed without such competing line. * * *

* * * * *
 "In the above analysis I have endeavored to delimit and point the issue by reference to situations which fall clearly within the implied prohibition of

the clause here under discussion: (1) The financing of facilities which compete directly with existing business, *regardless of the fact that such competing facilities might contribute materially to the construction of a system to serve unserved persons: * * *.* [Emphasis supplied.]

Also, in this same connection, note the following statements made on the floor of the House and Senate during debate on the bill which became the Rural Electrification Act of 1936, as they appear in the Congressional Record, volume 80:

"Mr. McNARY. I have my own idea as to the interpretation and definition of the expression 'electrification of rural areas not receiving central-station electric light and power service.' What interpretation does the Senator place upon that language? Could he illustrate it?

"Mr. NORRIS (author of the bill). That means, as I understand, and as I think the present administration is now doing, *that there will not be set up an organization and money loaned to it for the purpose of electrifying a rural area which is now supplied.* There are not, of course, a large number of rural districts already supplied with electricity from central power stations. * * * [Emphasis added.]

"Mr. McNARY. We probably are together generally, but under the language used, it seems to me, *where a plant is now in existence which is adequately supplying a certain area with electricity* none of the money provided by the bill could be used for the purpose. [Emphasis added.]

"Mr. NORRIS. That is as I understand it.

* * * * *

"Mr. McNARY. I think we want a definite meaning fixed, because I think it is an important proposition. The prohibition would relate to a central station furnishing light and power in an area that is now enjoying adequate service. Is that the Senator's interpretation?

"Mr. NORRIS. Yes (80 Congressional Record 2751, pt. 3).

* * * * *

"Mr. NORRIS. The Senator says 'come in competition.' They would not come in competition with farms already supplied. They might come in competition with the central power station.

"Mr. KING. That is not my question.

"Mr. NORRIS. There is no intention of going into a farming community which is already supplied with electric current and forming farm organizations there and having them built up to go into competition, as the Senator suggests, with farmers who are already getting their electric current from a central station (80 Congressional Record 2752, pt. 3).

* * * * *

"Mr. KING. * * * *I may say that my understanding of the bill was that its primary and only purpose was to take care of farmers who did not have electrical facilities.* [Emphasis added.]

* * * * *

"Mr. WALSH. That infers, of course, that there is no competition with any existing private or municipal plant.

"Mr. NORRIS. Yes.

* * * * *

"Mr. WALSH. That is what I understand to be the main purpose of the bill; that in rural sections where private enterprise has not undertaken to furnish light or where a municipality has not done so, there will be opportunities given for groups of individuals, or, as the Senator says, in some cases a town or municipality itself, to set up in such rural sections units for lighting purposes (80 Congressional Record 3305, 3306, pt. 3).

* * * * *

"Mr. RAYBURN. May I say to the gentleman that we are not, in this bill, intending to go out and compete with anybody. By this bill we hope to bring electrification to people who do not now have it. This bill was not written on the theory that we were going to punish somebody or parallel their lines or enter into competition with them. It was our thought that in the States where electricity is now generated and distributed the laws of that State would control the rates. *May I say further that the Rural Electrification Administration will have nothing whatever to do with the rates that may be fixed in these communities, for the simple reason that matter will be controlled by State law.*" [Emphasis added.] (90 Congressional Record 5283, pt. 5).

While the above statements (except for Mr. Rayburn's) may have been made in connection with the central station service limitation in section 2 of the act, the same limitation appears in section 4. Thus, the quoted statements would appear equally applicable to explain the intent of the limitation as used in both sections. Also, while the language of section 2, as enacted into law, is somewhat different from the language of the section at the time the above statements (except for Mr. Rayburn's remarks) were made, the statements would still appear to be for application.

It is clear from the above-quoted statements that the purpose of the central station service limitation was to exclude loans for the paralleling of existing systems or creating competition with existing facilities by prohibiting the use of loan funds for construction of transmission lines and substations to furnish power to an area already served by private power companies when such companies are willing to provide adequate central station service to persons within the area who are not tied to the powerline.

As indicated above Lehigh was receiving central station service at its existing plant and apparently desired a modification or adjustment of that service for its proposed new building or plant. The power supplier furnishing the central station service to the existing plant offered to furnish adequate central station to Lehigh's proposed new plant located approximately 160 feet from its existing plant. It appears that this offer was first made prior to the date (Sept. 9, 1955). REA approved the \$11,173,000 loan to CIPCO and, of course, prior to the date REA determined Lehigh at its new plant was a person not receiving central station service. In view of these facts the approval of the use of \$120,000 of the loan in question for construction of the Lehigh tap had the effect of making a loan of \$120,000 for the purpose of paralleling an existing power system and creating competition with an existing facility. As indicated above the only reason Lehigh refused to accept electric service from the Railway Co. was because Lehigh felt that the rate quoted by the company would prevent it (Lehigh) from producing its products at competitive prices. However, your Department advised us in the letter of May 5, 1958, "The rate at which service is offered is, of course, not a determining factor."

Since it is clear from the legislative history of the central station service limitation that the purpose of the limitation was to exclude loans which would have the effect referred to above it is our view that the Rural Electrification Administration disregarded the evident spirit and purpose of the Rural Electrification Act when it authorized the use of \$120,000 of the loan funds for construction of the Lehigh tap.

However, aside from the legislative history of the central station service limitation we are of the view that where a new building or plant (of an industrial company) is located approximately 160 feet from an old building or plant of the same company on the same tract of ground and the old plant is receiving central station service from a power supplier who has offered to furnish adequate central station service to the new plant, there appears little basis for considering the new plant a person not receiving central station service so as to authorize the making of a loan, or the use of loan funds, under section 4 of the Rural Electrification Act for the purpose of constructing facilities to furnish electric service to the new plant.

In view of the foregoing there appears ample justification for holding that the portion of the loan made for the construction of the Lehigh tap was not authorized and steps should be taken by your Department to reduce the \$11,173,000 loan by the amount advanced to construct the Lehigh tap and to recover immediately from CIPCO that amount, i.e., the amount advanced to construct the Lehigh tap. In the event such action will not be undertaken and you so advise, we will be required to report the matter to the Congress.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, August 5, 1958.

The Honorable the SECRETARY OF AGRICULTURE.

DEAR MR. SECRETARY: Reference is made to our letter of July 21, 1958 (B-134138), to you, concerning a loan made by the Rural Electrification Administration to the Central Iowa Power Cooperative, part of the proceeds of which was

used to construct facilities to furnish power to the Lehigh Sewer Pipe & Tile Co., Lehigh, Iowa.

At a conference held on July 30, 1958, between representatives of our Office and representatives of the National Rural Electric Cooperative Association and the cooperatives involved (Central Iowa Power Cooperative and Greene County Rural Electrification Cooperative), it was agreed that we would consider additional information and arguments which the association and the two cooperatives indicated they wish to present in connection with the matter, but it was indicated that it would be necessary for us to obtain your comments thereon.

In view of the foregoing it appears that the matter should be held in abeyance pending receipt of the information, your comments thereon, and completion of our review.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General.

U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
August 7, 1958.

HON. JOSEPH CAMPBELL,
Comptroller General of the United States.

DEAR MR. CAMPBELL: We have your decision of July 21, 1958, No. B-134138, concerning a portion (\$120,000) of a loan of \$11,173,000 made by the Rural Electrification Administration (REA) to Central Iowa Power Cooperative (CIPCO), which portion has been used by CIPCO to furnish power to a member cooperative for resale by the member in part to Lehigh Sewer Pipe & Tile Co. (Lehigh), Lehigh, Iowa.

We urge prompt reconsideration of the decision in the light of the following circumstances and for the following reasons:

(1) The recital of facts in the decision omits significant items, resulting in distortion of the basis on which the use of loan funds was approved.

(2) The decision would add a new limitation on REA's lending authority, which would forbid loans for extension of service to persons who are actually without central station service if they are located in an "area" claimed to be served by a power supplier which states it is "willing" to serve such unserved persons. This view of REA's lending authority is patently inconsistent with clearly demonstrated congressional intent in the enactment of the Rural Electrification Act.

(3) The legislative history cited in the decision consists of mere fragments of the relevant legislative history, is quoted out of context, and conveys an erroneous impression of the clear import of the entire legislative history.

(4) The decision is at variance with congressional understanding of the scope of REA's lending powers, represented by congressional knowledge of and acquiescence in REA's administrative interpretations over the entire history of the rural electrification program.

(5) The decision is at variance with the uniform administrative practice of the Rural Electrification Administration over the past 22 years.

(6) The interpretation is in direct conflict with legal interpretations of the Rural Electrification Act made by the Solicitor and General Counsel of the Department of Agriculture over the past 22 years and embodied in formal opinions.

(7) The decision is at variance with the position adopted by the court which has considered this question and by the Department of Justice in litigation involving challenges to REA's lending powers.

(8) The proposed limitation on REA's lending power, if adopted initially, would have made the rural electrification program under the Rural Electrification Act impracticable; would have made impossible the generally acknowledged immense contributions to agriculture and the national economy generally credited to the rural electrification program over the past 22 years; and, if imposed on the program at this time, would handicap its future development to the prejudice of agriculture and the national economy.

(9) The conclusion that there is "little basis" for the REA determination that Lehigh was a "person not receiving central station service" is contrary to the clear weight of the evidence.

(10) The decision would override what in other Comptroller General's decisions and at other points in this decision is conceded to be the primary adminis-

trative responsibility of the Administrator of REA. In the consideration of the highly technical questions involved in the phrase "persons * * * not receiving central station service," dependent for their solution upon expert knowledge, background, and experience, the decision gives little weight and respect to the exercise of the primary administrative responsibility of the REA Administrator which was based upon such expert technical knowledge, background, and experience.

(11) Since the inception of the electric program under the Rural Electrification Act, hundreds of REA loans, involving many millions of dollars, have been made to finance service to persons in rural areas who were actually without central-station service but who were in service areas of other suppliers and could be served by them at their proposed terms and conditions. If the decision is to remain in effect, responsible administration would require a survey and determination of those cases and initiation of steps to collect from borrowers millions of dollars which, under the terms of contracts entered into in good faith, are not yet due. The resulting chaotic and drastically prejudicial effects on the rural electrification program as a whole, on the currently presumed financial soundness of hundreds of REA borrowers, and on the stability of rate structures affecting hundreds of thousands of farm consumers, would be incalculable.

We turn now to a detailed consideration of the foregoing matters.

FACTUAL BACKGROUND

A true picture of the situation involved in this case necessitates the consideration of a number of facts and circumstances not mentioned or not fully stated in the decision.

At the outset, the decision leaves the impression that the facilities of the member cooperative (Greene County) were remote from the proposed new plant of Lehigh and that the only electric facilities in the vicinity were those of Fort Dodge, Des Moines & Southern Railway Co. (Railway Co.). The facts are not only that the Greene County facilities were in the immediate vicinity of the proposed new Lehigh plant, but also that Greene County was actually serving a structure on this very tract of Lehigh.

The decision further indicates that Greene County made a move to serve the new Lehigh plant only after Railway Co. had considered serving it. The fact is that Greene County had been approached and thereupon undertaken negotiations with Lehigh during the same period Railway Co. indicated its desire or ability to serve the proposed new plant.

The decision refers in vague fashion to "paralleling" and "competition with existing facilities", creating the impression that the facilities which the REA loans were financing would somehow supplant or perform the function theretofore being performed by, or would reduce the value of, existing facilities of Railway Co. The fact is that altogether new and very substantial electric facilities had to be constructed by whoever would undertake to supply the electric requirements of the large modern plant Lehigh was proposing to construct. A misleading impression is thus also given by the reference merely to "a modification or adjustment" of the existing Railway Co. service as being all that was involved in supplying the new plant's electric needs.

The decision also omits significant facts concerning the background, nature and status of the electric service being furnished by Railway Co. This company initially undertook electric service to third parties merely as a minor incident of its electric-railway operations; upon converting its railway operations from electric to diesel in 1955, it sought to dispose of its incidental electric properties and leave the power-supply business. Accordingly, for some time it had made no effort to keep its electric facilities in modern condition, and the faulty and inadequate character of its service had for some time been the subject of widespread complaint among its consumers. In 1956, Railway Co. even offered to sell all its electric facilities to CIPCO and Greene County. It is against this background, and against the background of the obsolete character of the Railway Co. service to the old Lehigh plant, that the negotiations between Greene County and Lehigh with respect to the new plant must be viewed. The 25-cycle service being rendered by Railway Co. to the old Lehigh plant was of a character which would have precluded Lehigh, as stated by its officers, from undertaking the construction of a truly modern, economical and efficient new pipe and tile manufacturing plant.

The circumstances surrounding the decision of Lehigh company to build its new plant negate any inference that the new plant had any connection whatsoever with the old plant served by Railway Co. As stated in the affidavit of Lehigh's vice president, the selection of this particular site for its new plant followed a series of surveys for sites in other States, and was based in major part upon its negotiations with Greene County. The affidavit clearly indicates that in the absence of Lehigh's contract with Greene County, Lehigh would not have determined upon this particular site for the construction of its new plant.

Any attempt to identify the new plant and the old plant as parts of the same electric load is further negated by the following figures. The capital investment of Lehigh in its old plant was \$259,790; its proposed capital investment in the new plant was \$1,379,819. The peak kilowatt demand and kilowatt-hour consumption per year of the old Lehigh plant were approximately 240 kilowatts and approximately 400,000 kilowatt-hours, respectively; the corresponding estimated figures for the new plant were 1,000 kilowatts and 1,800,000 kilowatt-hours, respectively. The dollar investment in new equipment that was required by either supplier to serve the new plant was approximately \$100,000.

There is, further, abundant evidence that CIPCO would have built the so-called Lehigh tap even without the Greene County-Lehigh contract, because the cooperative had to undertake to supply many of its members from a new load center which was to be connected through this Lehigh tap. In fact, Greene County is now serving through this line 307 of its members, in addition to the new Lehigh plant.

LEGISLATIVE INTENT AND HISTORY

Having regard to the precise words used in the Rural Electrification Act, there can be no question that the lending authority of the Administrator relates to persons in rural areas who are, in actual fact, not receiving central station service. There would appear to be no ambiguity or uncertainty but that loans are authorized for the benefit of such persons regardless of whether they might be located in areas which some electric supplier other than the borrower claims is already generally being served by it, or whether such supplier asserts a willingness to serve them. The decision appears to concede this in the statement that "it may be that literally accepted the terminology of section 4 (and sec. 2) is sufficiently broad to authorize a loan for the purpose of furnishing central-station electric service to a person not receiving such service, even though the service is available to such person and that the effect of the loan will be to create competition with an existing private utility." However, notwithstanding the clear import of the language of the statute, the decision appears to rely upon certain statements in the legislative history in reaching the opposite conclusion.

It is our view that the relevant history, considered as a whole, requires conclusions at variance with those in the decision.

The REA bill, as originally introduced in the Senate, authorized the making of loans for the furnishing of electric energy to "rural areas" not receiving central-station service. The Senate Committee on Agriculture and Forestry, headed by Senator Norris, the sponsor of the bill, recommended an amendment of section 4, authorizing "loans to furnish electric energy to *persons in rural areas who are not* receiving central-station service."

On page 5 of the decision there is a quotation from a statement of Senator McNary, which in turn contains a quotation of the original language of section 2 of the bill limiting authorization to "rural areas" without service rather than the recommended language of section 4 of the bill (to which sec. 2 was later conformed) extending authorization to "persons in rural areas" without service. Thereafter, in the quotations from the debate, it is indicated in the decision by asterisks near the bottom of page 5 that certain material has been omitted. What is omitted changes the sense of the debate quoted in the decision and indicates authorization for service to unserved persons in areas purportedly served by another supplier. This omitted portion reads as follows:

"Mr. McNARY. I agree with that, but supposing that some central station by the construction of distribution lines and transmission lines could supply the energy needed in a given area, could the money be used for that purpose?

"Mr. NORRIS. If I understand the Senator's question correctly, it is supposing some locality be now supplied from a central station might it be possible for that central station to extend its lines further and *would the governmental agency be prohibiting from entering that territory?* If that is the question, I think not." [Emphasis added.]

Moreover, other colloquy omitted from the decision shows that when Senator Norris says, in the quotation at the top of page 6 of the decision, that "they might come in competition" he is clearly indicating that REA borrowers might, under the amended version of the bill, properly serve persons without service whom the existing power supplier might be able or willing to serve. This is made unmistakably clear from the following colloquy, the omission of which is indicated by the second asterisk on page 6 of the decision:

"Mr. KING. If an organization were formed beyond the 10-mile limit to which I have just referred and within which limit the farmers are supplied with electric energy, that organization would not be permitted to come back into the 10-mile area to furnish light to farmers already receiving it?"

"Mr. NORRIS. *Not to those already receiving it, but it might come into the 10-mile area and supply farmers who are not receiving it. That is a distinction which I think ought to be drawn.*" [Emphasis added.]

The significance of this distinction was again alluded to by Senator Norris later in the debates, on the same day. After quoting the revised section 4 as recommended by the Senate Committee, he remarked: "I think that provision answers specifically some of the questions which were propounded earlier in the day by the Senator from Utah (Mr. King)."

It should be noted that Congressman Rayburn similarly, in the second sentence of his statement quoted on page 7 of the decision, points out that the purpose of the legislation was "to bring electrification to people who do not now have it," rather than to areas without service.

It is worth emphasizing again the paramount fact that at the time of this debate there were two alternatives before the Senate: that embodied in the original bill authorizing loans for the benefit of "rural areas not receiving central station service," and the other embodied in Senator Norris' committee's report authorizing loans to "persons in rural areas who are not receiving central station service." The latter alternative was adopted by Congress, the former was not.

In the sentence at the end of the first full paragraph on page 7 of the decision reference is made to a change in the language of section 2 as enacted into law, but the decision concludes that the change is of no significance. Apparently, it was not realized that this change reflected the vital difference between making unserved *rural areas* and, as finally enacted, making unserved persons in rural areas, the test of REA's lending authority.

Perhaps the most significant item of legislative history overlooked in the decision is the following. After Senator Norris, in response to Senator King's question, made clear the distinction between farmers already receiving service in a given area and farmers who were not receiving service in the same area, Senator King proposed a substitute bill, one provision of which would have limited the eligibility of unserved persons in rural areas as REA loan beneficiaries by the addition of the following language: "and for whom such service may not be furnished or made available by competing private enterprise." This proposed amendment of Senator King, which would have incorporated substantially the same limitation set forth in the decision, was definitely rejected by the Senate without debate (80 Congressional Record 3229, 80 Congressional Record 3317).

Neither the words of the Rural Electrification Act, as adopted, nor its legislative history, thus affords any sound basis for the additional restrictions which would be imposed on REA's lending powers by the decision.

Affirmatively, the debates generally establish that a primary purpose of the Rural Electrification Act was to facilitate the extension of electric service to the 90 percent of American farms without such service. Many of these farms were located in areas for which existing power suppliers held certificates of convenience and necessity. It is, therefore, clear that a very large proportion of unserved farms had electric service "available" to them from the power company in their "areas," upon their complying with the company's terms and conditions for extending service. However, these terms and conditions frequently included a substantial cash contribution beyond the means of the average farmer. The debates make abundantly clear that REA financing for the benefit of these unserved farmers was a primary objective of the act.

CONGRESSIONAL KNOWLEDGE AND ACQUIESCENCE

Because of the nature of its program, involving the continuous outlay of Federal funds, REA has continuously kept Congress fully advised of its activities and has received annual appropriations to carry them out. Moreover, power com-

many complaints have repeatedly been made known to Congress and to individual Congressmen and Senators. To our knowledge, there has not been any expression of congressional intent that the REA practice in making loans for unserved persons in "areas" claimed by other power companies was in any way improper or unauthorized under the Rural Electrification Act. In this connection, it is interesting to note that Iowa-Illinois Gas & Electric Co. (which initially called this matter to the attention of your Office in its letters dated October 10, 1957, March 3, 1958, and March 26, 1958) has also, following the common practice in such cases, complained to Senators and Congressmen, apparently without effect in Congress.

Illustrative of congressional understanding of the distinction between the "unserved area" and "unserved person" criteria are the following colloquies which took place before congressional committees:

"Senator CORDON. I am sorry to have to come back to law again. In section 2 of the 1936 act the authority to make loans is limited to persons in rural areas who are not receiving central-service-station service. In view of that provision in the law how can you make a loan for a co-op or other organization to put in its own REA line if those lines became competitive to lines already existing? I am simply asking you for the legal power as you view you have it.

"Mr. NICHOLSON. With regard to persons already served, the law is very explicit and it has been followed from the beginning. So far as I know, we have never lent a dime to bring service to any person who already has service.

"With respect to persons not now served, the decision lies with them; they have the choice in this country to do business where they please and they can buy their electric energy where they please. All we want to do is to make sure that when they want cooperative service we have the facilities and money to make such service available.

"Senator CORDON. I am in agreement with the statement the Secretary just made that there will be areas where private utilities have skimmed the cream. I know there are such areas, and where by virtue of the fact that the cream has been skimmed the resulting cost to the remaining potential users becomes almost prohibitive.

"Senator BUTLER. Does the law provide that you can't loan money to areas that are now served?

"Mr. NICHOLSON. We can't loan money to extend service to persons who are now served.

"Senator BUTLER. But when a little farm community is already served and it becomes a part of a larger cooperative unit, it then falls under the law that the few who are now served can become a part of the cooperative where many others are not served, and in that way you are conforming to the law?

"Mr. NICHOLSON. We can't with Government money, finance the extension of cooperative service to farmers already served, even if they want it. There are many cases where a farmer served by a utility company would like to take the meter out and put in a cooperative meter, but under this law as drawn we have no authority to do that. But if the farmer does not have service, no matter where he lives, we have every right under this law to finance the extension of service to him if he wants the service from a borrower that we finance." (Hearing, Senate Subcommittee on S. 89, April 2, 1945, pp. 14-15.)

* * * * *

"Senator BRIDGES. Mr. Wickard, do you apply any test before you loan money, or authorize new REA loans, as to whether or not any attempt has been made to get service from a private company before you go in and build?

"Mr. WICKARD. No, I do not know that we apply a test * * *.

"Senator BRIDGES. What I am wondering is if you just loan to anybody that wants to borrow—apparently you do—or if you find out if they could get the service in some other way before you obligated the Government money.

"Mr. WICKARD. It is my understanding, Senator, that we are to make loans available for the purpose of extending central-station service to unserved people in rural areas. There is one requirement, which is very plainly stated in the law, 'that the Administrator of the REA shall not make those loans unless he is satisfied that they will be paid back.' We feel the people themselves ought to make a determination as to whether they want to use the REA service or that of the private utilities. When they come to us, I think it is pretty plain that I must make the loan if the loan appears to be a feasible loan, and if there is need for it." (Hearings before Subcommittee, House Appropriations Committee on

Urgent Deficiency Appropriation bill for 1946, 79th Cong., 1st sess. (1946) pp. 47-8.)

UNIFORM ADMINISTRATIVE PRACTICE

Acting pursuant to the clear language of the statute and the import of its legislative history, REA administrative officials have, from the earliest days of the Rural Electrification program in 1936, acted upon the assumption that loans to bring electric service to all unserved persons in rural areas were clearly authorized, without regard to the "availability" of service from other sources.

Hundreds of REA loans, involving millions of dollars, have been made to finance service to persons in rural areas not actually served but located within "areas" claimed as their own by non-REA financed electric suppliers. An examination of all electrification loan dockets made by REA since its inception would reveal that the location of proposed act beneficiaries within "areas" of other power suppliers was never employed as a criterion for determining eligibility for REA financing. This is further substantiated by the numerous proceedings before State public utility commissions and State courts in which power companies, claiming willingness or ability to serve areas in which REA-financed borrowers were proceeding to extend service, sought under State law to block such REA projects.

PAST LEGAL INTERPRETATIONS AND OPINIONS

The position taken in the decision, as to the nature of the restrictions imposed on REA's lending authority by the "persons * * * not receiving central station service" provision, is in conflict with the position unanimously adopted by the Solicitors and General Counsel of the Department of Agriculture, by the only court which has considered this question, and by the Department of Justice in litigation involving the scope of REA's lending authority.

Every REA loan has been examined by the Office of the Solicitor (now Office of the General Counsel) of the Department of Agriculture for compliance with the Rural Electrification Act. The test of legality employed by that Office in such review has always been whether the purpose of the loan is to serve unserved persons in rural areas, without regard to availability of service in the "area" in which such persons are located.

In a formal opinion addressed to the REA Administrator (Op. Sol 5564), the Solicitor expressly pointed out that "the authorization in section 4 of the Rural Electrification Act is not phrased in terms of areas, but relates to 'persons in rural areas who are not receiving central station service'"; and after quoting the colloquy between Senators Norris and King, set forth above, the Solicitor stated that "REA may finance service to unserved individuals in a rural area, even though the area in general is served by another supplier" (June 5, 1953, p. 14).

The opinion of the Solicitor cited in your decision is consistent with this conclusion. While that opinion contains general language concerning a legislative intent to exclude competitive loans, it is clear from the entire opinion that the only form of competition contemplated was that involving service to persons already being served. This is made unmistakably clear by the following language from that opinion, quoted in the decision at page 4: "Where the effect of the proposed loan, regardless of its essential purpose, would be to substitute competitive REA-financed service to *persons already served*, the loan may not be made."

The contrary position which the decision takes was, moreover, rejected by the U.S. District Court for the District of Columbia in *Kansas City Power & Light Co., et al. v. McKay et al.* (115 F. Supp. 402). The District Court's decision followed a lengthy trial, exhaustive argument, and the submission of extensive briefs. To our knowledge, there are no other judicial determinations on this question.

The brief submitted by the Department of Justice in the same case argued in the strongest terms *against* the view that the Rural Electrification Act forbids loans for service to unserved persons when central station service is "available in the area." (Defendant's Brief on Separate Trial Relating to Issue of Legality of Contracts, pp. 47-8). Similarly, the Department of Justice, in suit instituted on this very loan by the Iowa-Illinois Gas & Electric Co. in the Federal District Court, was not content to contest the plaintiff's claim merely on the ground that plaintiff has no litigable interest and no standing to sue. The Department also defended the suit on the ground that the Government loan was valid and authorized under the Rural Electrification Act.

PROGRAM EFFECTS OF IMPOSITION OF "AVAILABILITY" RESTRICTION

It is submitted, therefore, that the "availability" restriction which would be imposed by the decision is in direct conflict with statutory language, legislative history, congressional understanding, administrative practice and legal interpretations of a Federal court and of the Departments of Agriculture and Justice. We believe, however, that it would be useful and enlightening to contemplate what effects the imposition of this restriction would have had, and would have, upon the Rural Electrification program.

The wide range of problems, practical and conceptual, which would have been raised in the application to all proposed REA loans of such vague, nebulous tests as "availability" and "area" would have completely bogged down the program and made it unworkable from the beginning. Questions as to the extent to which proposed terms and conditions of service would affect "availability," whether the other power suppliers would be permitted to be the judge of "availability," what criteria determine the "area" being served, and similar questions, would have immersed the program in a myriad of side questions, none of which would permit of practical or expeditious solution.

Furthermore, if the test of "availability" were whether a particular unserved person is located in an area legally authorized to be served by a power company, there is little doubt that thousands of people in rural areas now receiving electric service as a result of REA loans would have been excluded from the benefits of the rural electrification program.

The fact is that in some States almost the entire State areas were certificated to power companies even though countless farms in those areas remained without service. Thus, an availability test, if implemented by reference to outstanding certificates of convenience and necessity, would have drastically reduced the scope of the Rural Electrification Administration program, perhaps by more than half. Indeed, in the loosest sense of "availability," electric service was "available" to all of the farms unserved at the initiation of the REA program.

If the "availability" test were to be introduced into the program at this time, the results might well be the beginning of serious deterioration of the Government's loan security interests, as well as the imposition of rate increases on thousands of consumers on REA-financed lines. REA borrowers, as part of their area coverage program which has been inspired by Congress, have sought to extend service to both the better, as well as the more marginal loads, so that by mixing the "cream" with the "skimmed milk" they would be able to establish financial feasibility and soundness.

If at this time the test of "availability" were applied, the practical result would be to deprive borrowers of all new lucrative loads, thereby imposing undue rate burdens upon the other consumers of the borrowers, impairing the Government's security interests, and preventing completion of the area coverage job.

STATUS OF LEHIGH AS "UNSERVED PERSON"

A second ground for your determination in this case appears to be the view of your Office that there is "little basis for considering the new plant a person not receiving central station service." It is not clear to us what you regard as being included in the "basis" for our conclusion that the new plant was to be considered as a person not receiving central station service. In the paragraph on page 8, in which you state your conclusion, you refer to only three supporting facts: (1) that the new plant is located approximately 160 feet from the old plant of the same company on the same tract of land, (2) that the old plant was receiving central station service (3) from a power supplier who offered to furnish adequate service to the new plant.

We take the view that the statement in the decision that the old plant was receiving central station service is of questionable validity. REA for many years had received complaints from consumers served by Railway Co. with respect to their service, and similar complaints had been filed with the Iowa State Commerce Commission. Many Railway Co. consumers had accordingly requested service from Iowa rural electric cooperatives. Moreover, there is considerable doubt that the 25-cycle electric service that was being furnished by Railway Co. constitutes adequate central station service in this country at the present time; 60-cycle service is standard, and electric appliances and equipment are designed and manufactured for 60-cycle operation. There is a respectable body of technical and engineering opinion that 25-cycle service is outmoded and obsolete, and therefore is not adequate to central station service. Undoubtedly the decision of Iowa-Illinois, successor to Railway Co., to discontinue

25-cycle service to Lehigh, effective September 30, 1957, and to scrap its 25-cycle electric equipment, was based upon this body of opinion.

Similarly, the point in the decision that the "power supplier" offered to furnish adequate service to the new plant is subject to the question whether such offer could have been carried into effect. Facts submitted not only to REA but to the District Court of the United States for the District of Columbia, and the Polk County, Iowa, District Court, cast significant doubts on the ability of Railway Co. to fulfill the terms of its "offer." For example, affidavits filed with the United States district court establish the inability of Railway Co. to furnish adequate service without major reconstruction of its facilities. Findings of fact entered by the Iowa District Court on April 15, 1957, state that Iowa-Illinois did not have the franchise required to undertake such reconstruction. Even as late as September 17, 1956, the company admitted that it still had not obtained the necessary franchise from the Iowa State Commerce Commission.

But even assuming the accuracy of the supporting "facts" in the decision, they can hardly be deemed determinative of the issue when viewed in the light of all the additional relevant facts of this case. The more significant of these additional facts, already described above under the heading "Factual background," may be summarized as follows: (1) The electric facilities serving Lehigh's old plant could not without major rehabilitation and construction be utilized to serve the new plant; (2) the power requirements of the new plant greatly exceed and overshadow the electrical requirements of the existing old plant; (3) Lehigh's capital investment in the new premises greatly exceeds and overshadows its capital investment in the old plant; (4) the capital investment required for providing electric service to the new plant, regardless of the supplier, is very substantial (in this case in the order of \$100,000) and greatly exceeds and overshadows the capital investment in electric facilities serving the old plant; (5) the location and scope of the new plant were determined by Lehigh in the light of a desired new electric supplier; (6) the operation of the new plant was completely independent of the operation of the old plant; and (7) Greene County had been serving, since 1952, a Lehigh-owned residence located on the same tract as, and approximately 400 feet from, the old plant.

On the basis of these and other relevant facts and circumstances, the REA Administrator found, and we think properly so, that Lehigh, at its new plant, was a person not receiving central station service.

That Lehigh could legally be deemed a "person not receiving central station service" within the meaning of the act, even though service was being rendered to its old plant, seems clear to this Department. It is apparent that the mere fact that a person is receiving service at one premise does not preclude him from being considered an "unserved person" at other premises. For example, a person owning an electrified business in a town can hardly by virtue of that fact alone be said to be a person served at his unelectrified farm. Identity of ownership thus cannot be the significant test. It is similarly evident that a question of this kind cannot properly be resolved without a comprehensive, administrative evaluation of all relevant circumstances, among which identity of ownership and proximity of location may be of some significance, but clearly not determinative in themselves. As indicated above, the Administrator's conclusion in this case rested upon such an evaluation.

WEIGHT TO BE GIVEN TO ADMINISTRATIVE DETERMINATIONS

In various decisions of your Office, recognition has been given to the principle that primary responsibility under the Rural Electrification Act for determining whether a proposed loan meets statutory tests is lodged in the REA Administrator. Thus, in a decision dated March 12, 1943, to Congressman Tarver, the Comptroller General stated:

"Of course, the question as to whether the basic purpose of a proposed loan in a particular case is to provide electric service to unserved persons in rural areas is a matter for determination administratively, rather than by this Office, after a thorough consideration of the pertinent facts and circumstances in the case."

In the decision of July 21 it is conceded (p. 3) that whether the basic purpose of a proposed loan meets the statutory tests "is a matter primarily for determination administratively." Aside from the question whether the

Administrator's determination is final and conclusive, such determination at least merits considerable respect and weight, comparable at the minimum to the weight given by courts to findings of administrative bodies. In such cases the principle of law generally applied is that where there is a substantial basis for an administrative finding, an appellate court upholds this finding and does not consider the administrative question *de novo*. The reasons behind this principle are summarized in *Perkins v. Endicott Johnson Corporation* (128 F. 2d 208; 220 (C.A. 2), aff'd, 317 U.S. 501) :

"Because administrative officers, if not always themselves experts, are *specialists, advised by experts*, in a particular field of facts, inferences drawn by those officials from the data before them are to be given *unusual* weight by the courts. The Supreme Court has long ascribed to their findings '*the strength due to the judgments of a tribunal appointed by law and informed by experience*'. * * * It is precisely in drawing such inferences that administrative specialized skill is of unique value * * *."

This principle is peculiarly and most plainly applicable in cases where the subject of the administrative consideration and determination involves complex and technical elements. The case in question is such a case. As courts in similar situations frequently state, the administrative staff has resources both technical and the product of long experience which are far superior to similar resources at the disposal of the court. This, it is respectfully submitted, is particularly true in this situation involving the REA Administrator, supported by his technical staff and the organization's background of experience, as compared with the General Accounting Office. Congress has frequently expressed its similar view that the thoroughly considered views of experts in the executive branch of the Government should not lightly be set aside.

We suggest that these basic considerations have not been taken into account in your action in sweeping aside the findings and conclusions of the REA Administrator in this case.

In summary, the decision, in effect, would seem to us to result in an amendment to the Rural Electrification Act which Congress explicitly refused to adopt in 1936 and which has not been formally considered by Congress in the intervening 22 years. During that time, moreover, Congress has been made aware on many occasions of, and has acquiesced in, the uniform and consistent administrative interpretation and practice by REA with respect to its lending authority, as well as the legal interpretations of the Rural Electrification Act made by the Solicitor and General Counsel of the Department of Agriculture. These legal opinions, as well as those of the Federal court (which has considered the question) and the Department of Justice, have uniformly and without exception sustained the administrative practice.

Your Office and other authorities have recognized the wide discretion vested in the Administrator of REA to determine whether particular loans are for statutory purposes. The highly technical questions involved in determining the purpose of an REA loan properly depend for their solution on expert technical knowledge which is available to the REA Administrator. The attempt to review *de novo* the facts and circumstances considered by the Administrator in approving the use of REA loan funds in this case, has resulted in a factual conclusion that is contrary to the clear weight of the evidence.

Had the limitation on REA's lending power proposed in your letter been adopted rather than rejected by the Congress in 1936, the Rural Electrification program of the past 22 years would have been impossible. If the limitations of the decision are now to be placed in effect, the financial soundness of numerous REA borrowers would be endangered, the Government's security would be impaired, and millions of consumers would suffer undue rate increases. Moreover, hundreds of REA loans involving many millions of dollars would have to be surveyed and steps initiated to attempt the recovery of millions of dollars advanced to borrowers, which under the terms of contracts entered into in good faith with the Government are not yet due.

In these circumstances and for these reasons, reconsideration and reversal of the position taken in the decision of July 21, 1958, are urgently and respectfully requested.

Sincerely yours,

TRUE D. MORSE, *Acting Secretary.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, October 15, 1958.

The Honorable the SECRETARY OF AGRICULTURE.

DEAR MR. SECRETARY: The Acting Secretary of Agriculture, by letter dated August 7, 1958, has requested that we reconsider our letter of July 21, 1958, B-134138, to you, concerning a portion (\$120,000) of a loan of \$11,173,000 made by the Rural Electrification Administration (REA) to Central Iowa Power Cooperative (CIPCO) which portion has been used by CIPCO to furnish power to a member cooperative for resale by the member in part to Lehigh Sewer Pipe and Tile Co. (Lehigh). Also, the National Rural Electric Cooperative Association and the cooperatives involved (CIPCO and Greene County Rural Electrification Cooperative (Greene County) have submitted additional information and arguments concerning our above-mentioned letter and such information and arguments will also be considered in connection with our review.

In our letter of July 21 we said, in effect, that it was clear from the legislative history of the central station service limitation contained in sections 2 and 4 of the Rural Electrification Act of 1936, as amended, 7 United States Code 902, 904, together with opinion No. 4506, dated November 24, 1942, rendered by a former solicitor of your Department, that the purpose of the limitation was to exclude loans for the purpose of paralleling existing systems or creating competition with existing facilities by prohibiting the use of loan funds for construction of transmission lines and substations to furnish power to an area already served by private power companies when such companies are willing to provide adequate central station service to persons within the area *who are not tied to the powerlines*. We further stated therein that aside from legislative history of the central station service limitation we are of the view that where a new building or plant of an industrial company is located approximately 160 feet from an old building or plant of the same company on the same tract of ground and the old plant is receiving central station service from a power supplier who has offered to furnish adequate central station service to the new plant, there appears little basis for considering the new plant a person not receiving central station service so as to authorize the making of a loan, or the use of loan funds, under section 4 of the Rural Electrification Act for the purpose of constructing facilities to furnish electric service to the new plant. Specifically we then concluded that there was ample justification for holding in the instant case that the portion of the loan made for the construction of the Lehigh tap was not authorized and that steps should be taken by your Department to reduce the \$11,173,000 loan by the amount (\$120,000) advanced to construct the Lehigh tap and to recover immediately from CIPCO that amount. We informed you that in the event such action was not to be undertaken, and you so advised us, *we would be required to report the matter to the Congress*.

In effect we are asked to reconsider not only our views as to the particular case involved in our letter of July 21 but also the statement therein in connection with the case to the effect that the purpose of the central station service limitation was to exclude loans for the paralleling of existing systems or creating competition with existing facilities by prohibiting the use of loan funds for construction of transmission lines and substations to furnish power to an area already served by private power companies when such companies are willing to provide adequate central station service to persons within the area who are not tied to the powerlines. We will discuss this matter first.

The request for reconsideration of our statement as to the import of the legislative history of the central station service limitation is based on several grounds, mainly, that the clear import of the legislative history of the limitation is contrary to the view expressed by us, that we omitted certain portions of the legislative history which convey a different impression of the matter, that our view is clearly inconsistent with the Congressional understanding of the scope of REA's lending powers as disclosed by congressional knowledge of, and acquiescence in, REA's administrative interpretations over the entire history of the rural electrification program, that our interpretation of the provision would add a new limitation on REA's lending authority, and that the decision would override what in previous Comptroller General's decisions and at other points in our letter of July 21 is conceded to be the primary responsibility of the Administrator of REA.

Generally, the National Rural Electric Cooperative Association takes the same position as your Department and further contends that the language in sections 2 and 4 of the Rural Electrification Act of 1936 providing for loans for furnishing

electric energy "to persons in rural areas who are not receiving central station service," is clear and unambiguous and hence, the legislative history cannot be utilized to change the clear and unambiguous language of the statute. The association further contends that we "did not even have the right in this instance to look beyond the language of the act itself." The association cites Sutherland on Statutory Construction and a number of decisions of the U.S. Supreme Court to support these contentions.

Despite any view that the language in question is clear and unambiguous this does not, in our opinion, preclude reference to the legislative history by us if only to determine that such is the case. Concerning Sutherland, Statutory Construction, note section 4502 thereof:

"The most common rule of statutory interpretation is the rule that a statute clear and unambiguous on its face need not and cannot be interpreted by a court and only those statutes which are ambiguous and of doubtful meaning are subject to the process of statutory interpretation. This rule hides, although it uses many words to disguise it, the basic fallacy that words have meaning in and of themselves. * * * A word is but a symbol which may stand for one or an innumerable number of objects. It is only as custom and usage and agreement attach a particular meaning to a particular word that it has any significance in relation to either a tangible or an intangible object. *Thus the words used in a statute are always of uncertain meaning.*" [Emphasis added.]

Further, the following statement appears in section 4706 of Sutherland, Statutory Construction:

*"The literal interpretation of the words of an act should not prevail if it creates a result contrary to the apparent intention of the legislature and if the words are sufficiently flexible to admit of a construction which will effectuate the legislative intention. The intention prevails over the letter, and the letter must if possible be read so as to conform to the spirit of the act. * * *"* [Emphasis added.]

Moreover, as to decisions of the United States Supreme Court, in the case of *Boston Sand & Gravel Company v. United States*, 278 U.S. 41, 48, the Court said:

"* * * It is said that when the meaning of language is plain we are not to resort to evidence in order to raise doubts. That is rather an axiom of experience than a rule of law, and does not preclude consideration of persuasive evidence if it exists. * * *"

In *Harrison v. Northern Trust Company*, 317 U.S. 476, 479, the Court said:

"But words are inexact tools at best, and for that reason there is wisely no rule of law forbidding resort to explanatory legislative history no matter how 'clear the words may appear on "superficial examination."' *United States v. American Trucking Associations*, 310 U.S. 534, 543-44. See also *United States v. Dickerson*, 310 U.S. 554, 562. * * *"

United States v. Dickerson, 310 U. S. 554, 561, contains the following language:

"The respondent contends that the words of section 402 are plain and unambiguous and that other aids to construction may not be utilized. It is sufficient answer to deny that such words when used in an appropriation bill are words of art or have a settled meaning. See *United States v. Perry*, 50 F. 743, 748 (C.C.A. 8th). The very legislative materials which respondent would exclude refute his assumption. It would be anomalous to close our minds to persuasive evidence of intention on the ground that reasonable men could not differ as to the meaning of the words. Legislative materials may be without probative value, or contradictory, or ambiguous, it is true, and in such cases will not be permitted to control the customary meaning of words or overcome rules of syntax or construction found by experience to be workable: they can scarcely be deemed to be incompetent or irrelevant. See *Boston Sand & Gravel Co. v. United States*, *supra*, at 48. The meaning to be ascribed to an act of Congress can only be derived from a considered weighing of every relevant aid to construction. * * *"

(We realize that the last quoted statement was made in connection with the language used in an appropriation act. However, we feel that the language is appropriate in connection with the interpretation of any statute.)

Another decision to the same effect is *Puerto Rico v. The Shell Co.*, 302 U.S. 253, 258, wherein the Court said:

"* * * Words generally have different shades of meaning, and are to be construed if reasonably possible to effectuate the intent of the lawmakers; and this meaning in particular instances is to be arrived at not only by a consideration of the words themselves, but by considering, as well, the context, the pur-

poses of the law, and the circumstances under which the words were employed. *Atlantic Cleaners & Dyers v. United States*, 286 U.S. 427, 433; *Helvering v. Stockholms Enskilda Bank*, 293 U.S. 84, 86, 87-88. * * *

From the foregoing, it appears permissible to refer to the legislative history of a statute, or the provisions thereof, to determine the intent of the Congress in enacting the statute, even though the words of the statute are clear and unambiguous, although we realize there are other Supreme Court cases to the contrary.

Before discussing the legislative history of the central station service limitation as contained in sections 2 and 4 of the Rural Electrification Act of 1936, we would like to say that there has apparently been a misunderstanding as to the scope of the statement in our letter concerning the purpose of this limitation as disclosed by the legislative history thereof. While we used the word "area" in our statement, we had in mind the factual situation involved in the case we were considering, that is, where the unserved person was located, in effect, on, i.e., along side of, existing powerlines and the owner of the lines was ready, willing, and able to furnish adequate central station service to the unserved person at a reasonable price. You will note that in the statement in question we used the phrase "*who are not tied to the powerlines.*" We contemplated only situations where the unserved persons were located on a powerline, that is, where the powerline ran to, or alongside of, the property to be served and where the owner of the powerline was ready, willing, and able to furnish adequate central station service at a reasonable price to the unserved person. We did not intend to imply that a loan could not be made for the purpose of furnishing electric energy to unserved persons located in areas "*generally*" served by a power supplier, such unserved persons not being on, i.e., located alongside of or adjacent to, the powerlines. In other words, we did not intend to imply that a loan could not be made to serve unserved persons who might be served by existing central stations if such stations *extended* their lines, such stations having lines in the "general area" of the unserved persons.

Your Department contends that certain portions of the debate in the Senate, which we omitted from our letter of July 21, change the sense of the debate and indicate authorization to serve unserved persons in areas purportedly served by another supplier. One of the omitted portions reads as follows (80 Congressional Record 2751, part 3) :

"Mr. McNARY. I agree with that, but supposing that some *central station by the construction of distribution* lines and transmission lines could supply the energy needed in a given area, could the money be used for that purpose?"

"Mr. NORRIS. If I understand the Senator's question correctly, it is supposing some locality be now supplied from a central station, might it be possible for that central station to *extend its lines further* and would the governmental agency be prohibited from entering that territory? If that is the question, I think not." [Emphasis added.]

We do not feel that the above quoted colloquy requires a different conclusion than as indicated above; that under sections 2 and 4 of the Rural Electrification Act loans may not be made for the purpose of furnishing electric energy to persons located on, i.e., adjacent to, powerlines (powerlines running along side of or to their property), the owner of the powerlines furnishing adequate central station service to other persons located on the lines at a reasonable price and being ready, willing and able to furnish the same to these unserved persons. As we understand it Senator McNary was asking whether or not a loan might be made to furnish electric energy to a person not receiving central station service when an existing central station *by the construction of distribution and transmission lines* could supply the energy needed in a given area to furnish such persons central station service. As we understand Senator Norris' reply, he said, in effect, that if the question is whether in the case where an existing central station is supplying some locality and that by *extending its lines further* it would be possible *to serve more of the general area or locality* would the Rural Electrification Administration be prohibited from making a loan to furnish electricity to unserved persons to which it might be possible for the central station to *extend* its lines to serve, he thought not. Our letter of July 21, as indicated above, was not intended to imply that a loan could not be made to furnish power to unserved persons in an area where existing central stations could by *extending their lines* furnish central station service to such persons. However, we do not believe that Senator Norris' reply to Senator McNary's question was intended to indicate that a loan might be made to furnish an unserved person where the existing central

station was willing and able to furnish such service to the unserved person and could do so *without extending its lines* and would do so at a reasonable price.

The other omitted colloquy is as follows (80 Congressional Record 2752, part 3):

"Mr. KING. If an organization were formed beyond the 10-mile limit to which I have just referred and within which limit the farmers are supplied with electric energy, that organization would not be permitted to come back into the 10-mile *area* to furnish light to farmers already receiving it?

"Mr. NORRIS. Not to those already receiving it, but it might come into the 10-mile area and supply farmers who are not receiving it. That is a distinction which I think ought to be drawn." [Emphasis added.]

We did not intend to imply that a loan could not be made for the purpose of furnishing electricity to unserved persons in *areas* that might be considered the *potential* territory of an existing central station even though the existing central station might be willing to *extend* its lines into the *potential* territory. The tenor of the colloquy that took place immediately preceding the last quoted colloquy makes it apparent that this is what Senator King and Senator Norris had reference to in the above colloquy. This colloquy is as follows:

"Mr. KING. * * * Suppose that this plant has a *potential* capacity for furnishing more power than is consumed—and it does, and indeed may now, with the machinery which it has, furnish more power than is consumed in the District of Columbia—and it has a line running into Virginia and a line running into Maryland, as I understand it has, and is perfectly willing to increase its capacity and to *lengthen those lines* and to convey electrical energy to farmers in Virginia and farmers in Maryland within a reasonable area. Under the bill which the Senator is now proposing could the farmers, say, in Virginia or the farmers in Maryland, organize corporations and invade the field which this private organization, *in part, has covered and is willing to go further* and supply all reasonable demands, and thus restrict its operations and *build up another activity paralleling* the work of the organization now existing?

"Mr. NORRIS. The Senator has incorporated in his question some assumptions that will have to be taken into consideration before a direct answer may be given. I will take now the locality he has mentioned and assume that in Washington there is a company that is able to supply additional farmers who have not been supplied as yet, although for 20, 40, or 50 years in a great many places the power companies have not done so. *If they have supplied a certain locality, this bill would not authorize the governmental agency going into that locality; but it would not necessarily follow that the agency could not go into the potential territory surrounding Washington* and organize farmers under the laws of Virginia or the laws of Maryland, for instance, who, in turn, could, if they wanted to—it would depend on them entirely—buy their electricity from the central station here. *The fact is that if we provided in this bill that the rural electrification could not go into any territory that could be potentially held to be within the transmission distance of an existing central power station, it would mean that we probably would continue the conditions which have existed in the past.* In many instances, if not in most instances, the central power stations have picked out the cream in a certain locality and have built lines and supplied it with electricity. Before the Rural Electrification Administration would loan money to such an organization in Virginia or Maryland, they would have to know just exactly what the possibilities were. They would have to make a survey of the territory and know what would have to be paid for the electricity if it were bought here. They would not make a loan unless all those things put together should convince them that at a decent reasonable rate the organization which was seeking to get electricity was self-liquidating and would pay out.

"Mr. KING. Mr. President, will the Senator permit another inquiry?

"Mr. NORRIS. Certainly.

"Mr. KING. Assume that an area which is now covered by the powerplant in Washington extends into Virginia, say, 10 miles beyond the District line—and I am using this as an illustration without knowing anything about the facts—and adequate lighting facilities are furnished to all farmers within that area who desire such facilities, and suppose a corporation is organized under the law in Maryland to furnish light to farmers a little beyond the area where the lighting is now furnished; would that corporation, when organized, be permitted to come within the 10-mile *area* to which I have referred and enter into competition with the company now furnishing light there?

"Mr. NORRIS. The Senator says 'come in competition.' They would not come in competition with farms already supplied. They might come in competition with the central power station.

"Mr. KING. That is not my question.

"Mr. NORRIS. There is no intention of going into a farming community which is already supplied with electric current and forming farm organizations there and having them built up to go into competition, as the Senator suggests, with farmers who are already getting their electric current from a central station." [Emphasis added.] [80 Congressional Record 2752, p. 3.]

In connection with this last quoted reply of Senator Norris, we do not feel the Senator intended to imply that loans could be made for the purpose of going into the farming community he refers to, to furnish electricity to farms located on, i.e., adjacent to, powerlines therein but not tied to such lines, at least where the owner of the lines is ready, willing, and able to furnish adequate central-station service to these unserved farmers at a reasonable price. Also it is apparent from the complete colloquy that Senators Norris and King had in mind *lengthening or extending lines to reach unserved persons* that could be *potentially* held to be within transmission distance of existing central power stations and not unserved persons located on existing powerlines, that is, where the power supplier could furnish the power without, in effect, *extending its lines*. Again, we reiterate that we do not believe that Senator Norris had in mind an unserved person who fell in the last-mentioned category.

It is contended by the Acting Secretary that the action of the Senate prior to final passage of S. 3483 in rejecting a proposed substitute for S. 3483 introduced by Senator King which, *among other things*, would have added to the description "persons in rural areas who are not receiving central-station service" the provision "and for whom such service may not be furnished or made available by competing private enterprise" was perhaps the most significant item of legislative history overlooked in our letter of July 21. We note that the proposed substitute contained other changes and was rejected without debate. There is nothing in the legislative history to indicate that the substitute was rejected merely because it modified the unserved-person limitation. We note that section 3 of Senator King's proposed substitute authorized the appropriation of \$10 million per year for 10 years for the purpose of making loans and section 6 thereof authorized the appropriation of \$300,000 per year for 10 years for the purpose of administering the act and for making studies, investigations, publications, and reports. Section 3(a) of S. 3483, as passed by the Senate, authorized and directed the Reconstruction Finance Corporation to make loans to the Administrator of REA not exceeding \$50 million in each of the fiscal years ending, respectively, June 30, 1937, and June 30, 1938, for loan purposes, and section 3(b) thereof authorized the appropriation of \$40 million per year for 8 years for the purposes of the act as thereafter provided. Thus, it appears that Senator King's substitute may have been rejected for reasons other than the modification of the unserved-person or central-station service limitation.

In connection with the legislative history of the Rural Electrification Act, the history discloses that the bill passed by the Senate was the one on which the House held hearings. As you are aware, both sections 2 and 4 of the bill as enacted by the Senate contained the central-station service limitations now in the existing law and, hence, these were the limitations before the House committee during the hearings. We believe that the House hearings fully support the view that the Rural Electrification Act did not contemplate the making of loans to furnish electricity to unserved persons with property located on, i.e., alongside existing powerlines. Note in this connection the following discussion between Mr. Cooke, Administrator, Rural Electrification Administration (as set up by Executive order of the President and apparently the first Administrator after the Rural Electrification Act became effective), and Mr. Mapes of the committee (pp. 72 and 73 of the House hearings on S. 3483):

"Mr. MAPES. It is not quite clear to me to just what extent you enter this field of furnishing or assisting in furnishing electricity to these rural communities.

"Mr. COOKE. You mean stirring them up?

"Mr. MAPES. No. You do not propose to furnish electricity or to lend money for anyone to get electricity where it is now available, as I understand?

"Mr. COOKE. Absolutely.

"Mr. MAPES. What is the dividing line as to where it is available and where it is not available?

"Mr. COOKE. *That is not a very fine line. If the farmer has not got it now, and it is not available to him—that is, the line does not go within a reasonable distance of him—we consider it not available.*

"The electrical industry has taken the position, I think not uniformly [sic], but it is generally held that if a company has not advised us where they propose to build a line and when, that that is open territory and no exception can be taken to our going in and building a line.

"Just within the last week we have had a letter—just to show you how this thing works out—we had a letter from the president of a prominent company in one of the Southern States claiming that we were violating our rule.

"We wrote him a letter saying that that rule was inviolable, and that we would immediately go after it and find what gave rise to this rumor. This morning I got word that there was a complete misunderstanding about it.

"That is absolute, Mr. Mapes. *In no place has a single customer been put on where he had the opportunity to get energy from the private company before we began our operations.*

"Mr. MAPES. Suppose a private company had to make an extension, we will say, of half a mile of a line. What would you say then?

"Mr. COOKE. If they did it, not after the thing was first suggested, but after the thing had begun to take form with us—you see, the companies have the opportunity of filing with us anything that they propose to do. Some of them have done it. Some of them have done it in a very general way, saying, 'This is our territory and we intend to reach it in due time.' There is one company that had a very definite program of reaching practically everybody in a certain district in 5 years. The president came in and said, 'We realize that we are under pressure and we would like to agree to do that within a year', and we have done what we could to quiet the public agitation there, and I think they will go ahead and carry out their plan.

"Mr. MAPES. The language of the bill is, in effect, that you are to assist in the furnishing of electricity in rural areas where they are not receiving central station service. What is your definition of central station service?

"Mr. COOKE. That is to provide a difference between the normal service from a powerline and individual Delco plants. You see you will find plenty of places where there are Delco plants along the road about as thick as the central-service-station customers are on other roads.

"Mr. MAPES. And under your interpretation of that, is anyone in the rural community who is not receiving electricity—

"Mr. COOKE. From a high line.

"Mr. MAPES. From a high line?

"Mr. COOKE. Yes.

"Mr. MAPES. You are able to service him.

"Mr. COOKE. Yes.

"Mr. MAPES. And that includes villages up to a population of 1,500, as well as farms.

"Mr. COOKE. Yes. It only refers to high-line service.

"Mr. MAPES. It does include anyone who is not receiving high-line service?

"Mr. COOKE. That is right. And there is no opposition from the Delco people, because the Delco people want to see the rural development * * *." [Emphasis added.]

Thus it appears that the temporary REA, which preceded the REA as set up by statute, did not make loans to furnish electricity to unserved persons located on, i. e., adjacent to, existing powerlines, at least where the owner of the lines was willing to furnish satisfactory service at a reasonable price, and the House committee was made aware of this fact. What Mr. Cooke said above in connection with persons receiving electricity from a high line must be considered together with what he said in connection with furnishing electricity to unserved persons where it is already available to such persons.

Also note the following testimony by Mr. Cooke on pages 56 and 57 of the above mentioned House hearings:

"Mr. HUDDLESTON. I am correct, am I not, in saying that the fundamental purpose of this bill is to give electric service to those who now have not that benefit?

"Mr. COOKE. Those who do not now have it.

"Mr. HUDDLESTON. Yes.

"Mr. COOKE. Yes, sir: *we have made the practice, absolutely, Mr. Huddleston, of not building any competing lines.* Our current only goes to farms and farm

homes that do not now have it and where, *in a few instances, it has been necessary for us to parallel an existing line in order to reach that market, we have made the rule that no current is to be taken off of that line.* In other words, *at no point have we competed with existing lines;* and I will be glad to know if any member of this committee has heard in any State of a single exception to that.

"Mr. HUDDLESTON. May I say that my questions are not addressed to the matter of competition or duplication of service, but to the fundamental purposes of the bill. You want to give electric current to farmers who now have not got it.

"Mr. COOKE. That is right.

"Mr. HUDDLESTON. In many instances it will involve just a few miles of line to be hooked on to an existing utility line?" [Emphasis added.]

It appears that in view of what Mr. Cooke said (as quoted above) in regard to unserved persons located on powerlines that it was the practice of REA to parallel existing lines only when necessary to do so in order *to reach* groups of unserved persons located *beyond* existing powerlines and that in such a case it was their rule that no current was to be taken off the line constructed by REA funds where it paralleled existing lines.

Also, we again call to your attention in connection with the intent and purpose of the Rural Electrification Act the following statement made in the House during floor debate on S. 3483:

"Mr. RAYBURN. May I say to the gentleman that we are not, in this bill, intending to go out and compete with anybody. *By this bill we hope to bring electrification to people who do not now have it. This bill was not written on the theory that we were going to punish somebody or parallel their lines or enter into competition with them.* It was our thought that in the States where electricity is now generated and distributed the laws of that State would control the rates. May I say further that the Rural Electrification Administration will have nothing whatever to do with the rates that may be fixed in these communities, for the simple reason that matter will be controlled by State law." [Emphasis added.] [80 Congressional Record 5283, p. 5.]

We feel that the proper interpretation of this statement in the light of the House hearings is that the sponsor of the bill in the House did not contemplate the paralleling of existing lines, at least for the purpose of furnishing electricity to unserved persons located on those lines, and that the "persons who do not now have it" referred to in the statement are those not located on powerlines, but those located *beyond*, or at least not within a reasonable distance (as determined by the Administrator of REA) of, powerlines.

Concerning the administrative practice of REA being contrary to the position taken in our letter of July 21, 1958, we again call your attention to the following statements made by a former Solicitor of your Department in Opinion No. 4506 dated November 24, 1942 (appearing at p. 498 Rural Electrification Planning, Hearing Before a Subcommittee on Interstate and Foreign Commerce):

"A study of the debates in Congress and the committee hearings indicates that this provision was inserted because of a legislative intent to exclude loans for the purpose of paralleling existing systems and thus creating competition with established utilities. * * *

* * * * *

"* * * Practically the entire debate on the limiting clause here under discussion centered about the question of competition. It seems clear from the legislative history that the intent of the limitation was to prevent loans that would create federally financed competition with existing utility enterprises. It appears to be evident that the limitation was not intended to prevent loans, otherwise valid, merely because of the fact that persons already receiving service would be collaterally involved.

"Where the effect of a proposed loan, regardless of its essential purpose, would be to substitute a competitive REA-financed service to persons already served, the loan may not be made. For example, it is my opinion that a competing line could not be financed even though it were only a small part of a system designed to reach unserved persons and even though the project could not properly be developed without such competing line. This question was involved in the case of *Alabama Power Company v. John M. Carmody, Administrator* (United States District Court for the District of Columbia. In Equity No. 65469, decided in October 1937). Justice Daniel W. O'Donoghue denied a motion for an injunction restraining the REA Administrator from financing certain competing lines.

The defendant's case was presented and argued on the ground that the plaintiff's lines were 'spite lines' constructed after the cooperative was organized for the purpose of hampering or defeating [sic] the REA project and hence not entitled to the protection of the limitation in the REA statute. The judge did not write an opinion but in oral statements at the conclusion of the argument on October 7, 1937, he indicated that his denial of the motion was not based upon the 'spite line' theory but upon a much broader theory, namely, that the competing lines could be financed because they were necessary in order to serve large numbers of unserved persons in other areas of the project. This oral opinion from a very able judge is interesting but, in view of the pleadings and formal record in this case, the decision cannot be regarded as authority for a power to finance competing lines except in spite-line situations.

* * * * *

"In the above analysis I have endeavored to delimit and point the issue by reference to situations which fall clearly within the implied prohibition of the clause here under discussion: (1) The financing of facilities which compete directly with existing business, regardless of the fact that such competing facilities might contribute materially to the construction of a system to serve unserved persons; and (2) the financing of acquisitions in respect of which there is wholly lacking the essential statutory purpose of serving unserved persons."

It is emphasized that the Solicitor stated that in his opinion a competing line could not be financed even though it were only a small part of a system designed to reach unserved persons and even though the project could not be properly developed without such competing line. The view expressed in our letter of July 21, was intended to be confined only to loans for furnishing electricity to unserved persons located on, i.e., adjacent to, powerlines. Further, note that the Solicitor also said that a situation which falls clearly within the central station service limitation is the financing of facilities which compete directly with existing business regardless of the fact that such competing facilities might contribute materially to the construction of a system to serve unserved persons. This opinion seems to substantiate the conclusion reached in our letter of July 21 as clarified herein. In fact this opinion appears to be more restrictive than the intended scope of the statement made in our letter to you in connection with the unserved person limitation. The quoted statements in the opinion appear to indicate that the Solicitor felt that the competition referred to was not only competition with persons already served but competition which might be created in connection with serving unserved persons. However, as stated before, we did not intend to imply in our letter that loans could not be made to serve unserved persons located beyond, i.e., not located on or adjacent to existing power lines, even though such a loan might have the effect of creating competition with existing utilities.

From the foregoing it does not appear that the administrative interpretation of the act as expressed in the cited opinion is diametrically opposed to the views expressed in our letter of July 21 concerning the central station service limitation as herein clarified.

Concerning the position taken by us in the past on REA loans, as indicated in the Acting Secretary's letter, we said in a letter dated March 12, 1943, B-32920, to the chairman, Subcommittee on Agricultural Appropriations, House of Representatives that:

"Of course, the question as to whether the basic purpose of a proposed loan in a particular case is to provide electric service to unserved persons in rural areas is a matter for determination administratively, rather than by this office, after a thorough consideration of the pertinent facts and circumstances in the case."

We continued by saying:

"And, while it is realized that the accomplishment of the essential statutory purpose of a loan of the type here involved which is presented to the Administrator for approval at this time would be delayed, in all probability, until after the cessation of the present emergency because of the shortage of critical materials required in connection with the erection of the facilities contemplated thereby, it would seem that, in view of the authority which the Congress has vested in the Administrator and in the absence of any statutory provision prohibiting the use of appropriated funds for the purpose of such a loan, the determination made by the Administrator with respect to the question as to the approval of the loan must be regarded as a matter of policy and, therefore, not subject to review by this Office."

As can be seen from the foregoing, the question involved in the cited letter was the authority of the Administrator to approve a loan to furnish electricity to unserved persons in a case where this accomplishment (furnish electricity to the unserved persons) would be delayed until the cessation of World War II. We indicated, in effect, that since the statutory purpose was present and in the absence of any statutory provision prohibiting the use of appropriated funds for such a purpose, the determination of the Administrator to approve a loan where the accomplishment of the statutory purpose will be delayed is a matter of policy and therefore not subject to review. However, we do not feel that a determination by the Administrator as to whether a persons is or is not receiving central station service is a matter of policy and not subject to review, but is rather a question of fact. Moreover, in this same connection in a letter to another Congressman dated February 3, 1943, we made the following statement:

"* * * In this connection it may be stated that the question as to whether the basic purpose of a proposed loan in a particular case is to provide electric service to unserved persons in rural areas is a matter for determination administratively, rather than by this Office, after a thorough consideration of the pertinent facts and circumstances in the case, and subject to the limitation that the Administrator's decision in this regard may not be abused." [Emphasis added.]

In any event, whether or not we have the authority to review loans made by the Administrator of REA with a view to taking exception thereto or disallowing same, we have both the authority and the duty under the Budget and Accounting Act of 1921, as amended, title 31, United States Code, to report to the Congress any transaction of an executive department which we feel contrary to the intent of statutes enacted by the Congress for whatever action the Congress deems appropriate. Further we do not consider anything we said in our letter of July 21 to be diametrically opposed to the views of this Office as set forth by previous Comptrollers General.

The facts in the cited case of *Kansas City Power and Light et al., v. McKay et al.*, 115 F. Supp. 402, do not appear to be the same as the facts involved in the matter before us. Furthermore, we note on appeal the United States Court of Appeals for the District of Columbia (96 U.S. App. D.C. 273), vacated the judgment of the district court, although without passing on the substantive issues involved, and held, in effect, that the plaintiffs had no standing to sue. In any event, as indicated above it does not appear the circumstances involved in the cited court case were the same as those present in the instant case, nor the same as those we had in mind in connection with the central station service limitation. We would like to say here that the views expressed in the letter of July 21 were not intended to apply to REA loans made for the purpose of "heavying up" facilities previously constructed with REA loan funds.

Concerning the prior Federal and State court proceedings in the instant case, neither the Federal nor the State courts passed on the validity of the instant loan. As we understand it, the Federal courts held that on the basis of *Kansas City Power and Light v. McKay* (96 U.S. App. D.C. 273), the plaintiff had no standing to sue and did not go into the substantive issues involved. The case in the Iowa State court apparently involved the matter of franchises rather than the validity of the loan. Hence, our views would not appear contrary to any court decisions rendered in connection with the instant case.

As to the weight to be given administrative determinations, we agree that the primary responsibility under the REA Act for determining whether a proposed loan meets statutory tests is lodged in the Administrator. We also agree that such determinations merit considerable respect and weight and it is our policy to give considerable weight and respect to administrative determinations. However, if a determination which may be legally supportable under the strict letter of a statute is considered by us to be contrary to the evident spirit and intent of the Congress in enacting that statute as disclosed by the legislative history thereof, we feel we have a duty under the Budget and Accounting Act of 1921, as amended, to report the matter to the Congress for whatever action the Congress deems appropriate.

The Acting Secretary now advises that REA has kept the Congress fully informed of its activities over the years and indicates that the Congress has acquiesced in REA's making loans for the purpose of serving any unserved persons; and that it has been REA's uniform administrative practice over the past 22 years to make loans to bring electric service to all unserved persons in rural areas, and reiterates that this has been so without regard to the "availability" of service from other sources. As indicated in our discussion above,

we have considerable doubt that the legislative history of the Rural Electrification Act, taken as a whole, contemplated the making of a loan to furnish electric energy to an unserved person located on an existing powerline, i.e., where the property to be served is alongside of powerlines and the owner of the powerlines is ready, willing, and able to furnish adequate central-station service to such unserved person at a reasonable price. However, the long-continued practice as reported by the Acting Secretary, if carried on with congressional knowledge would tend to support the Department's position or, at least, indicate congressional acquiescence in the practice followed by the Department. In view of the foregoing we will take such action as may be necessary to insure congressional knowledge of the interpretation of the act by REA and the practice followed by including a discussion of the matter in the report referred to in the last paragraph of this letter.

Concerning that portion (\$120,000) of the loan of \$11,173,000 made by REA to CIPCO (the specific case involved in our letter of July 21), the record before us disclosed that a plant of Lehigh located on a tract of ground outside the town of Lehigh, Iowa, was being furnished 25-cycle electric service by the Fort Dodge, Des Moines, & Southern Railway Co. (Railway Co.), the predecessor of the Iowa-Illinois Gas & Electric Co. (Iowa-Illinois), at the time the loan to CIPCO was made. Prior to the making of the above referred to loan, it appears that Lehigh decided to build another building or plant on the same tract of ground, approximately 160 feet away from its existing plant, and to operate both plants or buildings, apparently as separate entities. Lehigh contemplated using machinery in the new plant which would require 60-cycle electric service. It appeared that by letter dated May 19, 1955 (confirming a discussion held on May 10, 1955), the Railway Co. offered to supply 60-cycle electric service to Lehigh. Further, it appeared from the record that the Railway Co. again, orally, on September 28, 1955, offered to furnish Lehigh 60-cycle service for its proposed new plant and confirmed such offer in writing by letter dated October 4, 1955. Lehigh, however, apparently did not desire to accept such service from the Railway Co. on the ground that the rate quoted by the company would prevent Lehigh from producing its products at a competitive price. It appeared that Lehigh entered into negotiations with Greene County for 60-cycle service and, subsequent to the date of the above referred to loan, entered into a contract with Greene County for such service.

The Acting Secretary contends that our letter of July 21 leaves the impression that the facilities of the member cooperative were remote from the proposed new plant of Lehigh and that the only electric facilities in the vicinity were those of the Railway Co. He says the facts are not only that the Greene County facilities were in the immediate vicinity of the proposed new plant but also that Greene County was actually serving a structure on this tract of land. The Acting Secretary further says that our letter indicates that Greene County made a move to serve the new Lehigh plant only after the Railway Co. had considered serving it, but the fact is that Greene County had been approached and thereupon had undertaken negotiations with Lehigh during the same period the Railway Co. indicated its desire or ability to serve the proposed new plant.

We made no statement to the effect that the only electric facilities in the vicinity were those of the Railway Co. and did not intend to leave that impression. We did not consider the fact that Greene County was serving the residence (owned by Lehigh and on the same tract of ground as the proposed new plant) of the kiln foreman particularly significant in connection with the use of the portion of the loan in question or with the determination that Lehigh *at its new plant* was a person not receiving central-station service. While your Department's prior reports to us indicated Greene County was furnishing electric energy to the kiln foreman's residence, apparently the purpose of such reference was to indicate that each structure on the same tract of land, *depending on its use*, might be considered a separate entity. We would like to point out here that the proposed new plant was to be used for the same general purposes as the old plant, apparently to manufacture sewer pipe and tile. Furthermore, it has been reported that the same clay-removal and clay-transportation facilities, carpenter and machine shops are used in connection with both the old and the new plants. Hence, it could not accurately be stated that the new plant is a completely separate and independent entity. As to the date Lehigh entered into negotiation with Greene County, we had and have no specific knowledge thereof and the reports furnished us by your Department in connection with the matter do not contain such information nor does the Acting Secretary's letter. It appeared from the record before us at the time, however, that the Railway Co. entered into

negotiations with Lehigh on May 10, 1955, and we assumed (since Lehigh indicated Greene County was the only supplier who could furnish it the quality and quantity of electricity it required at a price that would enable it to produce its products at a competitive price) that Greene County entered into negotiations sometime thereafter. In any event, it appeared from the record that the Railway Co. offered to furnish 60-cycle service to the proposed new plant approximately 4 months prior to the date (September 9, 1955) the \$11,173,000 loan to CIPCO was approved and, of course, prior to the date Lehigh entered into its power contract with Greene County, this latter date being subsequent to the date of approval of the CIPCO loan.

As to whether the facilities which the REA loan was financing would supplant or perform the function theretofore being performed by, or reduce the value of, existing facilities of the Railway Co., we understand that the town of Lehigh, which apparently was a customer of the Railway Co. and its successor, Iowa-Illinois Gas & Electric Co., terminated its service from Iowa-Illinois and now buys its power from Greene County through the so-called Lehigh tap. We realize, of course, that the central-station-service limitation does not necessarily preclude REA loans, otherwise valid, because of the fact persons already receiving central-station service would be collaterally involved.

The Acting Secretary also says that a misleading impression is also given by our reference in our prior letter to "a notification or adjustment" of the existing Railway Co. service as being all that was involved in supplying the new plant's electric needs since substantial new construction was required to furnish the proposed new plant 60-cycle service. While it may be that substantial new electric facilities had to be constructed to furnish power to the proposed Lehigh plant, it appears the Railway Co. could also have used, at least to some extent, its existing facilities (the facilities used to furnish power to the old plant). Since this would appear to be the case, it appears that construction of the Lehigh tap had the effect of paralleling, in some degree, an existing power system which was furnishing power to Lehigh's old plant located on the same tract of ground, approximately 160 feet away from the proposed new plant. Therefore, and since the Railway Co. was furnishing Lehigh 25-cycle service and Lehigh desired 60-cycle service for its proposed new plant and the Railway Co. apparently had poles and power lines running to the old plant, we considered the furnishing of 60-cycle service a modification or adjustment of the type of service Lehigh was presently receiving, that is, a change, a different type service, even though certain construction had to be undertaken to furnish the new type service.

The Acting Secretary's letter continues, in pertinent part:

"The decision also omits significant facts concerning the background, nature, and status of the electric service being furnished by Railway Co. This company initially undertook electric service to third parties merely as a minor incident of its electric-railway operations; upon converting its railway operations from electric to diesel in 1955, it sought to dispose of its incidental electric properties and leave the power-supply business. Accordingly, for some time it has made no effort to keep its electric facilities in modern condition, and the faulty and inadequate character of its service had for some time been the subject of widespread complaint among its consumers. In 1956, Railway Co. even offered to sell all its electric facilities to CIPCO and Greene County. It is against this background, and against the background of the obsolete character of the Railway Co. service to the old Lehigh plant, that the negotiations between Greene County and Lehigh with respect to the new plant must be viewed. The 25-cycle service being rendered by Railway Co. to the old Lehigh plant was of a character which would have precluded Lehigh, as stated by its officers, from undertaking the construction of a truly modern, economical, and efficient new pipe- and tile-manufacturing plant."

While your Department in its letter of May 5, 1958, advised us that *had* an administrative finding been made that Lehigh was not receiving adequate central station service from the Railway Co., *it believed* that such a determination would have been administratively justifiable and legally supportable, it does not appear that such a determination was in fact made. The fact that, in 1956, the Railway Co. had offered to sell its facilities would not appear pertinent to the question involved here since the purchaser would apparently have had to buy subject to any contracts which the Railway Co. had with its customers. Further, while it may be that the 25-cycle service being furnished by the Railway Co. to Lehigh's old plant was of a type which would have precluded Lehigh from undertaking the construction of a modern, economical, and efficient new

plant, as indicated in our letter of July 21, the Railway Co. had offered (prior to the date of the loan involved here and prior to the approval of the use of \$120,000 of the loan funds to construct the Lehigh tap), to furnish Lehigh the type of service it (Lehigh) wanted for its proposed new plant, apparently at a reasonable price.

The Acting Secretary says that the circumstances surrounding the decision of Lehigh to build its new plant on the site in question negates any inference that the new plant had any connection whatsoever with the old plant, and that any attempt to identify the new plant and the old plant as parts of the same electric load is further negated by the difference in capital investment between the two plants and the difference in peak kilowatt demand and kilowatt-hour consumption per year between the new and old plants. We do not feel that these differences, even though substantial (capital investment, old plant \$259,790, new plant (proposed) \$1,379,819; peak kilowatt demand and kilowatt-hour per year, old plant 240 kilowatts and 400,000 kilowatt-hours, respectively, new plant (estimated) 1,000 kilowatts and 1,800,000 kilowatt-hours, respectively), are necessarily determinative of the question as to whether Lehigh is but a single person with respect to the old and new plants (the new plant apparently being located approximately 160 feet from the old plant on the same tract of land). In connection with whether the two plants should be considered a single person, we understand that the existing power supplier terminated its 25-cycle service to Lehigh's old plant and that Greene County is now furnishing 60-cycle service to both the old and new plants and metering it through a single metering station. In other words, Lehigh, as to both its new and old facilities, is being treated as a single customer by Greene County. Also, we understand that Greene County has a published rule forbidding the combining of two or more customers on a single meter.

The Acting Secretary's letter continues:

"There is, further, abundant evidence that CIPCO would have built the so-called Lehigh tap even without the Greene County-Lehigh contract, because the cooperative had to undertake to supply many of its members from a new load center which was to be connected through this Lehigh tap. In fact, Greene County is now serving through this line 307 of its members, in addition to the new Lehigh plant."

While it may be that CIPCO would have built the Lehigh tap even without the Greene County-Lehigh contract, the Acting Secretary does not say that use of the loan funds for such construction would have been authorized on the basis of serving the 307 members mentioned above, absent the Lehigh power load. While your Department's prior reports to us in the matter make reference to the fact that the Lehigh tap is also serving 307 farm consumers of Greene County, there is nothing to indicate that the furnishing of such service was for consideration in determining the propriety of the use of the loan funds to construct the Lehigh tap or that such fact could be taken into consideration in connection with the determination that Lehigh at its *new plant* was a person not receiving central-station service. Presumably REA was aware that the Lehigh tap was to be used to serve 307 farm customers of Greene County when it returned the Greene County-Lehigh power contract without approval on or about November 15, 1955, because it appeared that Lehigh "was then receiving 25-cycle electric service from" the Railway Co. Furthermore, it appears from the record that the proposed service to the Lehigh Sewer Pipe & Tile Co. was the *principal justification* for the transmission-line tap and the new substation. We assume from the foregoing that use of the loan funds for construction of the Lehigh tap would not have been authorized absent the furnishing of power to Lehigh.

The Acting Secretary contends that the statement in our letter that the old plant was receiving central-station service is of questionable validity. While that may be, as indicated above, the record shows that the use of the loan funds for construction of the Lehigh tap was not approved by REA in November 1955 and that REA withheld approval because sufficient evidence was not presented to show that Lehigh was an eligible beneficiary of REA loan funds because of the central-station service to the old plant. Furthermore the administrative determination by REA to the effect that Lehigh at its *new plant* was a person not receiving central-station service, apparently (in view of all the facts and circumstances) implies that Lehigh at its old plant was receiving central-station service, otherwise there would have been no necessity for qualifying the administrative determination by referring only to the *new plant*. Further, the Department's previous reports to us made no mention of complaints of the adequacy of the central station service being furnished Lehigh, nor did the reports indicate

that the administrative findings concerning the *new plant* was based, in part, on the *complaints* of the adequacy of the service to the old plant.

The Acting Secretary further states that there is considerable doubt that the 25-cycle service that was being furnished by the Railway Co. constitutes adequate central-station service in this country at the present time, since 60-cycle service is standard and electrical appliances and equipment are designed and manufactured for 60-cycle operation. While this may very well be, it does not appear, as indicated above, that REA made any administrative determination to the effect that Lehigh was not receiving adequate central-station service at its old plant.

As to whether the offer of the power supplier of the old plant to furnish adequate central-station service to the new plant could have been carried into effect, there was nothing in the record before us to indicate that the Railway Co., at the time it made the offer, could not have carried it into effect. We realize that it would have been necessary for the Railway Co. to construct certain additional facilities (at a cost of approximately \$100,000 according to the Acting Secretary's letter) in order to carry out its offer. Further, while it may be that the Railway Co. and Iowa-Illinois did not have the necessary franchise required to undertake such construction, there is nothing in the record to indicate that either would have been unable to obtain such a franchise, had either entered into a contract to supply Lehigh electricity, since each furnished 25-cycle service to Lehigh. Further, there was nothing in the prior record to indicate that the Railway Co. did not have a franchise to furnish 25-cycle service to the old plant or that it could not have obtained one at the time it made the offer to furnish 60-cycle service to Lehigh's proposed new plant. It appears that CIPCO was not granted a franchise to construct the Lehigh tap until August 28, 1956, i.e., after Greene County entered into the contract with Lehigh and after REA approved the use of the loan funds to construct the Lehigh tap. In any event, if the Administrator of REA had determined at the time the use of the loan funds for the purpose in question was approved, that the existing power supplier to the old plant could not have obtained the necessary franchise to furnish power to the new plant, and we had been so advised in either of your Department's two prior reports, then we would not have felt it necessary to take any action in the matter.

Also, while it may be that, in the instant case, Greene County could furnish power somewhat cheaper than the existing power supplier, it appeared from the record before us that the price at which the existing supplier had offered to furnish power was reasonable, although Lehigh alleges it could not produce its product competitively at the price at which the power supplier of the old plant had offered to furnish service. In any event, in the absence of a determination by the Administrator of REA that the price at which the existing power supplier offered 60-cycle service to Lehigh was unreasonable, we assumed the price was reasonable.

The Acting Secretary summarizes the following facts and states that, on the basis of these and other relevant facts and circumstances, the REA Administrator found, and your Department thinks properly so, that Lehigh *at its new plant* (apparently as distinguished from its old plant) is a person not receiving central station service:

"* * * (1) the electric facilities serving Lehigh's old plant could not without major rehabilitation and construction be utilized to serve the new plant; (2) the power requirements of the new plant greatly exceed and overshadow the electrical requirements of the existing old plant; (3) Lehigh's capital investment in the new premises greatly exceeds and overshadows its capital investment in the old plant; (4) the capital investment required for providing electric service to the new plant, regardless of the supplier, is very substantial (in this case in the order of \$100,000) and greatly exceeds and overshadows the capital investment in electric facilities serving the old plant; (5) the location and scope of the new plant were determined by Lehigh in the light of a desired new electric supplier; (6) the operation of the new plant was completely independent of the operation of the old plant; and (7) Greene County had been serving, since 1952, a Lehigh-owned residence located on the same tract as, and approximately 400 feet from, the old plant."

Notwithstanding the facts summarized above, we are still of the view (as indicated in our letter of July 21) that where a new building or plant of an industrial company is located approximately 160 feet from an old building or plant of the same company on the same tract of ground and the old plant is receiving central station service from a power supplier who has offered to furnish

adequate central station service to the new plant, there appears little basis for considering the new plant a person not receiving central station service so as to authorize the making of a loan, or the use of loan funds, under section 4 of the Rural Electrification Act for the purpose of constructing facilities to furnish electric service to the new plant.

In view of the foregoing and taking into consideration all the facts and circumstances, we will include a full report of this particular transaction, including the views of your Department (together with any further views you may wish to present) in our next audit report to the Congress on REA activities for whatever action the Congress may deem appropriate. Therefore, and since the loan funds in question (\$120,000) apparently have been expended and the facilities constructed and in use, and inasmuch as CIPCO, must, in any event, pay back the amount of the loan, no action need be taken by your Department to recover back the \$120,000 before it falls due.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

UNITED STATES DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., October 29, 1958.

HON. JOSEPH CAMPBELL,
Comptroller General of the United States.

DEAR MR. CAMPBELL: We have received your letter of October 15, 1958 (B-134138), reaffirming your conclusions regarding the invalidity of a portion of a Rural Electrification Administration loan to Central Iowa Power Cooperative which was used to finance construction of a transmission line to furnish power to a member cooperative for resale in part to Lehigh Sewer Pipe & Tile Co.

After careful consideration of your letter, we feel constrained to disagree with your conclusions. We are of the opinion that the considerations contained in your letter do not impair the validity and force of our views on this matter as expressed in our letter to you of August 7, 1958. Nor do we believe that the modified test of REA loan authority set forth in your letter finds support in the Rural Electrification Act, in its legislative history, or in any other relevant data.

It is our feeling that a thorough review and reconsideration of the material contained in our submission of August 7, 1958, can only result in a reversal of the views expressed in your letter of October 15, as well as your letter of July 21, 1958. Enclosed herewith for your information is our analysis of the points made in your letter of October 15.

We shall, of course, be ready to furnish any further information and legal data in support of our position that may be requested by you, or by the Congress as a result of your report.

Sincerely yours,

E. L. PETERSON, *Acting Secretary.*

U.S. DEPARTMENT OF AGRICULTURE, OFFICE OF THE GENERAL COUNSEL—ANALYSIS
OF COMPTROLLER GENERAL'S OPINION OF OCTOBER 15, 1958

BACKGROUND

The Comptroller General, in his decision of July 21, 1958 (the "original decision"), held invalid a portion of an REA loan to an Iowa cooperative which was used to finance construction of an electric transmission line to furnish power to a member cooperative for resale to a newly constructed plant of Lehigh Sewer Pipe & Tile Co., Lehigh, Iowa. This company had been receiving service from another, non-REA-financed supplier at an old plant located on the same tract of land 160 feet from the new plant. Service to the new plant would have required this other power supplier to expend some \$100,000 in modifying its existing facilities and constructing new facilities. The member cooperative had been serving a company-owned residence also located on this same tract of land, some 400 feet from the new plant.

The original decision was based on two grounds. One was that the authorization in the Rural Electrification Act to make loans to furnish electric service to persons without central station electric service excluded persons who in actual fact were not receiving service if they were located in an "area" served by a non-REA-financed supplier which was willing to serve them. The second

ground was that the company, by reason of receiving service at its old plant, must be regarded as a person receiving service with respect to its new plant.

By letter of August 7, 1958, Acting Secretary Morse requested reconsideration and reversal of the original decision. The Acting Secretary's letter, in essence, pointed out that the clear language of the Rural Electrification Act itself, its legislative history, administrative practice acquiesced in by the Congress since the enactment of the Rural Electrification Act, and previous legal interpretations of the act all combined to demonstrate that the lending authority of the act related not to "areas" but to "persons" actually without service, regardless of any alleged availability of service to them from any source. The letter further showed that the Lehigh Co. at its new plant, having regard to numerous relevant factors, including its separate operation, the character of its load, and the substantial investment required by any supplier to provide service for it, could properly be deemed to be a person without central station service.

THE COMPTROLLER GENERAL'S OPINION OF OCTOBER 15, 1958

On October 15, 1958, the Comptroller General replied to the Acting Secretary's request for reconsideration. He reaffirmed his conclusions that the loan was unauthorized under the Rural Electrification Act and that the Lehigh Co. with respect to its new plant was a person already receiving central station service.

The Comptroller General's conclusion that the REA loan was unauthorized is supported, however, by a reason that differs from the reason for this conclusion in the original decision. In the earlier decision, the Comptroller General indicated that despite the literal terminology of the Rural Electrification Act, the loan was unauthorized because the legislative history indicated congressional intent to exclude loans for unserved persons if they were located in an "area" already served by a private power company. In his October 15 opinion, the Comptroller General undertakes to clarify this position by stating:

"While we used the word 'area' in our statement, we had in mind the factual situation involved in the case we were considering, that is, where the unserved person was located, in effect, on, i.e., along side of, existing powerlines and the owner of the lines was ready, willing and able to furnish adequate central station service to the unserved person at a reasonable price * * *. We did not intend to imply that a loan could not be made for the purpose of furnishing electric energy to unserved persons located in areas '*generally*' served by a power supplier, such unserved persons not being on, i.e., located alongside of or adjacent to the powerlines" (p. 5).

The Comptroller General then discusses the legislative history which is substantially the same material set forth in the Acting Secretary's letter of August 7, with the addition only of certain testimony of Mr. Morris L. Cooke, the first REA Administrator, which is specifically considered below. Emphasis is placed upon certain portions or phrases over others, in an attempt to support the Comptroller General's newly defined position. In the course of this discussion, the new position is restated to indicate that an unserved person may be a beneficiary of an REA loan only if an "extension" of existing power company lines would be required to bring him service; an unserved person is not "unserved" under the Rural Electrification Act if he can be served by an existing power company "without extending its lines" (pp. 6, 9). At another point, it is indicated that the test of whether an unserved person is a "person not receiving service" within the meaning of the Rural Electrification Act depends upon whether such person is located "*beyond*, or at least not within a reasonable distance (as determined by the Administrator of REA) of, power lines" (p. 13).

Certain general statements regarding competition from an opinion of the Solicitor are next relied upon in the Comptroller General's October 15 opinion, although previously considered in both the original decision and the Acting Secretary's letter, to suggest that "the administrative practice of REA" or "the administrative interpretation of the act" may not be contrary to the Comptroller General's position (pp. 13-15).

In its consideration of the respect or weight to be given to determinations of the Administrator under the Rural Electrification Act, the October 15 opinion appears to concede that the Administrator's determination in this case "may be legally supportable under the strict letter of" the Rural Electrification Act, but notes the Comptroller General's feeling that he has a duty, nevertheless, to report the matter to the Congress if he considers the determination "to be contrary to the evident spirit and intent of the Congress in enacting that statute as disclosed by the legislative history thereof." (p. 17.) After then reviewing cer-

tain aspects of the facts of the instant case and summarizing the factors recited in the Acting Secretary's letter in support of the Administrator's determination, the Comptroller General reiterates his view that "there appears little basis" for that determination.

Finally, the October 15 opinion concludes that a full report will accordingly be made to the Congress in the next Comptroller General audit report on REA, but that in view of the fact that the REA loan funds in question have been expended and the REA borrower must, in any event, repay the amount of the loan, this Department will not be required to take action to recover this amount before it falls due.

ANALYSIS OF THE OCTOBER 15 OPINION

It seems clear, in the first instance, that while it purports to clarify the test of REA loan authority set forth in the original decision, the October 15 opinion in reality creates a new test. As demonstrated in the Acting Secretary's letter, the legislative history of the Rural Electrification Act appears to afford no support and, indeed, seems plainly to reject the Comptroller General's original test which would prohibit loans for unserved persons located in an "area" claimed to be served by an existing supplier. Accordingly, the Comptroller General's new test leaves behind the "unserved area" concept and adopts the "unserved person" criterion of the act. However, he now construes the term "person not receiving central station service" as it appears in the Rural Electrification Act to include *some* unserved persons but *not others*. The touchstone of inclusion or exclusion seems to be based upon intricate reasoning: A person who is *unserved* must nevertheless be deemed a person *with service*, and therefore not a proper Rural Electrification Act beneficiary, if he is located "on" an existing powerline. He is "on" such a line if he is "along side of" it; or stated differently, he is "on" a line if no "extension" is required to serve him from that line, or, indeed, if he is located "within a reasonable distance of" it. Moreover, the applicability of this test of being "on" or "within a reasonable distance of" an existing powerline seems to depend further on the willingness and ability of the power company to serve the person at reasonable rates.

The main items of legislative history relied upon by the Comptroller General in support of this line of reasoning are, as indicated above, substantially those set forth in the Acting Secretary's letter of August 7. First, there is the colloquy between Senator Norris and Senator McNary. (p. 5.) Senator Norris there states, in substance, that even though it might be possible for an existing power company "to extend its lines further," REA financing would not thereby be precluded. From this plain statement, the Comptroller General apparently derives his conclusions that a person without service may be deemed "unserved," and a beneficiary of the Rural Electrification Act, only if an "extension" of existing lines is required to bring him service, and, thus, an unserved person is not "unserved" if the power company can serve him without an "extension." How any person not connected to existing power lines may receive service without an "extension" is a question difficult to answer, and not answered by the Comptroller General. In another colloquy quoted by the Comptroller General in support of this distinction, between Senator Norris and Senator King (pp. 6-8), Senator Norris repeats the crucial phrases "already receiving it," "already supplied," and "already getting their electric current from a central station," and we are completely unable to follow the Comptroller General's reasoning by which he equates "already getting service" with merely being located "along side" or "within a reasonable distance" of existing lines.

Apparently to further support his position, the Comptroller General also quotes from colloquies between Congressman Mapes and Mr. Morris L. Cooke, the first REA Administrator under the Executive order originally establishing REA. (pp. 9-13.) Reference is made by Mr. Cooke to certain REA practices and policies, relating to "availability" of existing service, at a time when the Rural Electrification Act had not been passed, and when REA was operating under a statute and Executive order which merely authorized loans for rural electrification and did not describe intended beneficiaries. To seek support for a particular interpretation of the "unserved persons" provision of the Rural Electrification Act from this statement of pre-act practices and policies seems highly questionable. Moreover, in the colloquy relating to the specific language of the pending REA bill, Mr. Cooke states as his interpretation that a person is without central station service "who is not receiving electricity from a high line." (p. 11.)

The Comptroller General's October 15 opinion places considerable emphasis upon certain quotations from an Opinion of the Solicitor (No. 4506, Nov. 24, 1942), in which there are general references to the congressional intention not to finance competition. However, all these general references are made in the light of the specifically expressed test that a loan may not be made where its effect "would be to substitute a competitive REA-financed service to persons already served" (p. 14). That all the general references must be limited to this definition of competition is, furthermore, made abundantly clear from the fact that at the time Opinion of the Solicitor No. 4506 was issued, as, indeed, at all other times since passage of the Rural Electrification Act, REA, in considering proposed loans, did not take into account availability of service to the unserved. Moreover, Vincent D. Nicholson, the Associate Solicitor who drafted this opinion, later testified in no uncertain terms before congressional committees that the only test of eligibility for the benefits of REA financing under the act was whether the unserved person was in actual fact not receiving service. (Acting Secretary's letter of Aug. 7, 1958, p. 9.) Finally, a subsequent Solicitor's opinion (No. 5564, June 5, 1953), referred to in the Acting Secretary's letter of August 7, 1958 (p. 11), unequivocally rejected the availability test. The October 15 opinion, it should also be noted, omits any reference to the fact that the uniform legal position of the Solicitor's Office on this matter has been strongly and consistently supported by the Department of Justice in court litigation.

In the Acting Secretary's letter of August 7, it was pointed out that a significant feature of the legislative history of the Rural Electrification Act was the rejection by the Senate of an amendment by Senator King which, among other things, would have added to the "without central station service" test, the additional test "and for whom such service may not be furnished or made available by competing private enterprise." Apparently, the Comptroller General denies the significance of this rejection on the ground that it is not clear that the amendment was rejected because of this additional test rather than other provisions relating to the amount of authorized appropriations. Certainly, in the absence of a statement by the Senate of the reasons for rejection, it cannot be assumed that the imposition of this additional test was not among those reasons. Moreover, according to what seems to us the clear support of the debate on the meaning of "persons not receiving central station service" that preceded the introduction of this proposed amendment, it was the expressed intention of the sponsors of the bill, without the amendment, that the test proposed by the amendment was to be inapplicable. If, indeed, proper interpretation of the debate were that of the Comptroller General, there would have been little, if any, need for anyone to introduce an amendment which included an availability test.

While the Comptroller General appears to concede that the words of the Rural Electrification Act do not support his conclusion, he purports to find this support in what he describes as the evident spirit and intent of the Congress in enacting the act as disclosed by its legislative history. We have already indicated our views that the legislative history directly fortifies the literal meaning of the act (Acting Secretary's letter, pp. 5-7), and that it cannot reasonably be deemed to support either the initial "area" test of the Comptroller General's original decision or the newly defined test of his October 15 opinion (*supra*). Moreover, even were we to assume, what we do not concede, that there is support for the Comptroller General's interpretation in the legislative history, no one could reasonably argue that the legislative history is not, at the very least, ambiguous, and does not include support for the literal reading of the act as well as for the Comptroller General's opinion. In these circumstances, the only principle of statutory construction that can possibly be applied is the one which will not permit an ambiguous or conflicting legislative history to overcome the plain language of a statute. This rule is clearly stated in *United States v. Dickerson*, 310 U.S. 554, 561, which is quoted on pages 3-4 in the Comptroller General's October 15 opinion, as follows:

"Legislative materials may be without probative value, or contradictory, or ambiguous, it is true, and in such cases will not be permitted to control the customary meaning of words * * *."

Plainly applicable here is the formulation of the rule by the Supreme Court in *Gemsco, Inc. v. Walling*, 324 U.S. 244, 250:

"The argument from the legislative history undertakes, in effect, to contradict the terms of § 8(f) by negative inference drawn from inconclusive events occurring in the course of consideration of the various and widely differing bills

which finally, by compromise and adjustment between the two Houses of Congress, emerged from the conference on the act. *The plain words and meaning of a statute cannot be overcome by a legislative history which, through strained processes of deduction from events of wholly ambiguous significance, may furnish dubious bases for inference in every direction.*"

While, in our opinion, therefore, the newly defined test of the Comptroller General can find no support in the statute, nor in its legislative history, nor in any principles of statutory construction, a closer examination of this test may be enlightening. Under the test, an unserved person cannot be a Rural Electrification Act beneficiary if he is located on, alongside of, or within a "reasonable distance" on an existing powerline, or if he can be served by the powerline without any "extension." The practical difficulties of attempting to administer the REA program in accordance with these views are manifest.

Presumably, an addition to an existing powerline or new line is an "extension" only if it extends beyond a "reasonable distance" from the existing line. What are the criteria for determining a "reasonable distance"? Are these criteria to be related to the general population density of a particular area? Is a "reasonable distance" much greater in Wyoming than it is in New Jersey? Does a "reasonable distance" have any correlation to the type or magnitude of the electric load involved? Does it have any correlation to the voltage or other electrical characteristics of the line to which the additional or new line is to be connected? Is the question of "reasonable distance" to be determined differently where the proposed new line involves a transformation and where no transformation is involved? Would the capacity of the substation involved in the furnishing of service through the proposed new line have any bearing? Would the number of new consumers or the aggregate kilowatt demand to be served through the proposed new line be relevant? In cases where the power company would require additional generation or other power sources to provide for the new loads would they be taken into account in determining "reasonable distance"? Does the extent of reconstruction of the existing lines off which the proposed new line is to be built affect the question of "reasonable distance"? Is "reasonable distance" affected by the fact that the lines of the REA-financed cooperative are also close to the proposed consumer, or that the cooperative's lines in the locality may have been in existence before those of the power company?

It seems clear from the very facts of the case to which the Comptroller General was addressing himself in his opinion that none of the foregoing factors were taken into account. In this case, the Comptroller General apparently felt that the unserved new plant of the Lehigh Co., even without regard to the fact that the company was served at its old plant, was not an "unserved person" within the meaning of the act because it was located within a "reasonable distance" of the existing power-company line, despite the fact that in order to serve it an addition of at least 140 feet had to be built off the existing line, the existing line had to be drastically reconstructed, and very substantial expenditures in new electric facilities were needed. It requires only superficial analysis to conclude that the test of "reasonable distance" can hardly be valid in terms of the realities of the electric industry.

Similar administrative difficulties inhere in the further requirements of the Comptroller General's test that the existing power company be ready, willing, and able to furnish the proposed service at a reasonable rate. Must willingness and ability of the power company relate to the immediate, or to some future date? Who is to be judge of willingness and ability? If the Administrator, on the basis of what types of evidence must he judge? Much of the information required would be obtainable only from the power companies themselves. If such information is to be obtained and relied on by REA, the further question arises whether in order to reach a fair conclusion the special safeguards inherent in a quasi-judicial hearing should not be utilized. Cooperative loan applicants might well take the position that they are entitled to cross-examine the sources of the power company data.

The mere ascertainment of a "reasonable rate" would in itself require the Administrator to embark upon a field which engages public service commissions all over the country in frequently interminable hearings, involving conflicting evidence from hosts of technical experts. Is the Administrator to hear various sides of the question of what constitutes reasonable rates in a given complicated factual context? Is he to determine reasonable rates on the basis of ex parte power company submissions alone? Or is he to permit the loan applicant an opportunity to review and rebut power company data and perhaps cross-examine

power company's spokesman? The possible consequences and ramifications of the assumption of this novel REA administrative burden are all too evident.

From the viewpoint of the effects of the Comptroller General's new test upon the REA program itself, we believe that the restrictions imposed by the new test are of the same nature as those imposed by his original area-availability test. If the "reasonable distance" limitation had been introduced at the beginning of the rural electrification program, innumerable delays and difficulties inherent in the administration of a loose and unrealistic test would have resulted. The inability of REA-financed cooperatives to serve desirable heavy or industrial loads because a power company's lines are within a "reasonable distance" would have extremely detrimental effects on the financial feasibility of cooperatives and their ability to carry out area coverage programs inspired by Congress. The undue rate burdens on other consumers of the cooperative and the impairment of the Government's security interests which would flow from the restrictions of the new test would be substantially the same as those which would result from the Comptroller General's original test, as described in the Acting Secretary's letter of August 7.

Moreover, the "reasonable distance" test would permit power companies to engage in "tacking," i.e., after an initial new line or addition is constructed to serve an unserved person within a "reasonable distance," the test would presumably compute "reasonable distance" to other potential consumers from the end of the new line rather than from the original backbone line. The cumulative effect of applying this test might thus result in power companies being permitted to construct into the very heart of REA borrowers' service areas. Spokesman for the cooperatives might accordingly assert that this test would encourage the location by power companies of their lines in such a way as to preempt large portions of cooperatives' service areas and make it impossible for the cooperatives to obtain REA financing to serve unserved persons in those areas. At various times in the history of the REA program, lines constructed by power companies with such an objective have been described as "spite lines."

While the Comptroller General's October 15 opinion is not clear on this matter, it is also possible that application of his new test may have a serious impact on REA generation and transmission loans. In the typical case, a generation and transmission loan is made in order to furnish a new cooperatively owned source of power to distribution cooperatives previously financed by REA to serve "persons not receiving central-station service." REA-financed transmission lines and substation are thereby substituted for similar existing facilities of the power company. Such loans are made on the basis, in general, that the unserved persons who are proper act beneficiaries qualify for the benefits of successive REA loans, whether these loans are for the purpose of "heavying up" the original distribution system or of furnishing additional or substitute generating and transmission facilities. There is language in the Comptroller General's opinion which seems to be applicable to, and would preclude, generation and transmission loans in these circumstances. For example, in the first paragraph on page 2 of his opinion it is stated, pursuant to the Comptroller General's original reading of the legislative history, that "loans for the paralleling of existing systems or creating competition" are excluded since loan funds may not be used "for construction of transmission lines and substations to furnish power to an area already served by private power companies when such companies are willing to provide adequate central-station service to persons within the area who are not tied to the powerlines."

The Comptroller General's treatment of the *Kansas City* case, on page 17 of his opinion, lends weight to our conclusion that generation and transmission loans may be intended to fall within the restrictions set up by him. That case involved an unsuccessful challenge to the legality of REA generation and transmission loans to five federated cooperatives, during the course of which the district court rejected the "area availability" test, the test set forth in the Comptroller General's original decision. In his October 15 opinion, the Comptroller General states that the facts of the *Kansas City* case differ from those of the instant case, but thereafter adds that the views expressed in his original decision "were not intended to apply to REA loans made for the purpose of 'heavying up' facilities previously constructed with REA loan fund." The Comptroller General makes no such disclaimer as to generation and transmission loans. This appears particularly significant in view of the fact that the district court in the *Kansas City* case alluded to such successive heavying up or improvement loans, as well as to generation and transmission loans. In these

circumstances, the Comptroller General appears not to have excluded generation and transmission loans from the effects of his restrictive reading of the legislative history. In any event, a cloud appears to have been created whose shadow threatens the basic tenets of REA generation and transmission programs.

The treatment by the Comptroller General, in his October 15 opinion, of the question whether the Lehigh Co. at its new plant was an "unserved person," in light of the power company's existing service to the old plant, is somewhat puzzling. Certain facets of the facts are first considered and reviewed in support of his initial position (pp. 18-24). The many additional and substantial facts summarized in the Acting Secretary's letter in support of the REA Administrator's determination are then repeated (p. 24). Thereafter, without controverting or questioning these additional, relevant facts, and upon the basis of what appears to be merely a disagreement on a conclusion of fact, the Comptroller General finds there is "little basis" for the Administrator's determination, and that it is therefore invalid. This substitution of the Comptroller General's administrative judgment for that of the REA Administrator seems strange in view of the fact that earlier in his opinion the Comptroller General seems to concede that the primary responsibility for determining whether a proposed loan is for an authorized purpose under the Rural Electrification Act is lodged in the Administrator, and that the exercise of this responsibility is not to be disturbed except in cases or abuses of discretion by the Administrator (pp. 16, 17). There is no allegation or intimation that the Administrator's determination in this case constitutes an abuse of discretion. Indeed, in concluding that Lehigh's new plant was "served" because Lehigh received service at its old plant, the Comptroller General seems to rely only upon the factors of identity of ownership and proximity of location of the two plants. We have already shown how these factors, in themselves, cannot be determinative of the question (Acting Secretary's letter, p. 14). The Administrator, on the other hand, in full accordance with the views of an earlier Comptroller General that such determinations be made only "after a thorough consideration of the pertinent facts and circumstances in the case" (see Comptroller General's October 15 opinion, p. 16), had considered a number of additional facts and circumstances, the pertinency of which remain uncontroverted, and had come to a contrary conclusion. How much full consideration of all, rather than only a few, of the pertinent circumstances can possibly be deemed an abuse of discretion is indeed difficult to fathom.

CONCLUSION

After complete consideration of the Comptroller General's opinion of October 15, it seems to us that the full force and validity of all that was said in the Acting Secretary's letter of August 7 remain undiminished. We feel that there has been no citation of any legislative history nor any argument of a legal nature, that carries any persuasive effect or substantial weight in altering this Office's conclusions as reflected in the Acting Secretary's letter. It is, moreover, our considered opinion that the modified test as set forth in the Comptroller General's opinion of October 15 is equally lacking in support either in the Rural Electrification Act itself, in the legislative history, or in any other relevant data, as was the original test initially set forth in his letter of July 21.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., December 8, 1958.

The Honorable the SECRETARY OF AGRICULTURE.

DEAR MR. SECRETARY: By letter of October 29, 1958, the Acting Secretary of Agriculture transmitted for our information your Department's analysis of the points made in our letter of October 15, 1958, relating to loans made by the Rural Electrification Administration, and stated that your Department disagrees with our conclusions in this matter.

We appreciate receiving your analysis of the points involved, but a thorough review of this entire matter including the foregoing analysis does not convince us that the Congress, as a whole, intended by enactment of the Rural Electrification Act of 1936 to authorize REA to make loans for the construction of power lines to serve an unserved person located, in effect, on, i.e., along side of existing power lines the owner of which was ready, willing, and able to furnish adequate central station service to such unserved person at a reasonable price.

In our letter of October 15, 1958, we said that the long-continued practice over the past 22 years as reported in Acting Secretary Morse's letter of August 7, 1958, if carried on with congressional knowledge, would tend to support the Department's position, or at least, indicate congressional acquiescence in the practice followed by the Department; and that in view of this, we would take no action to recover the specific loan under consideration but would report the matter to the Congress for whatever action the Congress deems appropriate. Under these circumstances we will not attempt to recover any future similar loans nor take other action concerning the present administrative practice in the absence of an expression of congressional intent to the contrary.

We assume that the analysis of the points involved was transmitted to us for our information as indicated in the Acting Secretary's letter. However, we will take the analysis into consideration in preparing our next audit report on REA activities.

Sincerely yours,

JOSEPH CAMPBELL,

Comptroller General of the United States.

Senator TALMADGE. I am trying to get clearly fixed in my mind the issue involved and under what authority the Comptroller General may have, if any, to review the decision after it has been made by the body authorized by Congress.

Senator AIKEN. I wouldn't want to make an interpretation on that. I am not a lawyer. I wouldn't want to go into the legal technicalities of the case, because that is out of my line. It is a practical application of the law, as I understand it, and as the Congress and the executive branch have up to now understood it to be. I am concerned about that.

Senator HOLLAND. As the chairman understands it, the General Accounting Office is an arm of Congress and not of the executive government and is set up to serve the Congress in interpreting the expenditure of funds in the effort to see they are being expended not only in accord with the intent of Congress but also properly in other ways.

Being an arm of Congress, it is also subject to receive directions from Congress, but is functioning under general directions, as the chairman understands it, to check the expenditures of the executive departments as against the wording of the laws and the appropriation measures passed by Congress.

Senator AIKEN. In general, they audit expenditures of the executive branch. I will say this, that although the Comptroller General is an agent of the Congress, he is appointed by the Head of the executive branch for a 15-year term.

Senator HOLLAND. And is confirmed by the Senate, but is a part of the legislative rather than the executive branch of the Government.

Senator AIKEN. It is a very useful organization.

Senator TALMADGE. Does the REA act set the standard by saying that under certain conditions moneys may be loaned and under others they cannot?

Senator AIKEN. I think the Administrator of the REA can tell you exactly what criteria they use, but as I understand it, they rule that if a person is not receiving central station power, the REA will serve him even though he may be close to an existing powerline.

Senator TALMADGE. Who within an area?

Senator AIKEN. They say if a person is not receiving such power, he is eligible to receive it through an REA cooperative even though he may be in a general area which is served by some other utility com-

pany. You know how that is, a person may be within 2 miles of a powerline and the power company who owns the line may say, "If you will pay for building these 2 miles we will furnish you the power at such a rate." That will run up into a thousand dollars a mile. On the other hand, the REA will say to this person and 25 of his neighbors, "We will serve you all and we will average the cost on a nonprofit basis among you."

Senator TALMADGE. In some areas it is difficult to tell whether service is being received or not, particularly in rural areas. One may be served and another may not.

Senator AIKEN. A fellow may just be a few rods too far away to be served under the criteria which most of the utility companies use.

Senator TALMADGE. Then the first issue is whether or not the Comptroller General had authority to make such a decision; is that correct?

Senator AIKEN. I think you might well look into how far the Comptroller General can go in interpreting the intent of Congress.

Senator TALMADGE. Secondly, if he had authority to make a decision, did he make it correctly or incorrectly?

Senator AIKEN. I contend that the decision is completely wrong. That is why I am here.

Senator TALMADGE. Thank you very much.

Senator AIKEN. The Department of Agriculture concurs with that position.

Senator TALMADGE. Thank you, sir.

Senator AIKEN. In their letter, they took vigorous dissent.

Senator TALMADGE. I have not had an opportunity to read those letters.

Senator HOLLAND. Senator Schoeppel.

Senator SCHOEPEL. I have no questions.

Senator HOLLAND. Senator Young.

Senator YOUNG of Ohio. Mr. Chairman, my friend from Georgia asked some of the questions that I had thought of asking, but I think I have one or two. However, may I at the outset say to the distinguished Senator from Vermont that I admire the statement that he made, very much, and that I completely concur in his views.

You see, I am a city fellow from Cleveland, but it happens that I was born in Puckerbrush Township in Ohio and reared on a farm. It is a matter of pride with me that many years ago I voted in favor of the creation of the Rural Electrification Administration.

Isn't it a fact that had the recent interpretation of the Comptroller General—had this rule been in effect from the time of inception of our REA, up to the present time, very few of the great achievements of rural electrification would have taken place?

Senator AIKEN. I think that is true, Senator Young. One situation which has been brought about is this: The REA originally went into what is known as "skim milk" territory where the corporate utilities felt they could not profitably put lines, and in most cases I expect they were right about that. But the cooperatives did put lines in there and as a result what was originally "skim milk" territory began to get richer. People moved out on the lines, they built homes, the farms improved, they put in equipment, and made an uneconomic farm pay its way, and in some cases small industries moved out on these lines, and even villages and small towns grew up around them.

Some of the lines that went out in rural areas covered these communities which have since become suburban areas. Some industrial and housing developments have sprung up upon them. Some of that "skim milk" territory has got a lot of "cream" on it now and those who originally declined to serve it look very enviously and want to partake in skimming off this cream.

Senator YOUNG of Ohio. Isn't it a fact, Senator, that the purpose of Senate Resolution 21 is to spell out in no uncertain terms the intent of the Congress?

Senator AIKEN. Of the Senate.

Senator YOUNG of Ohio. Of the Senate?

Senator AIKEN. Yes, of the Senate.

Senator YOUNG of Ohio. So while, if this Senate Resolution 21 is recommended out from the committee and then passes in the Senate, then the Comptroller General knows the intent of the Senate?

Senator AIKEN. That is right. It will remove the fear that he might rescind his decision. They might change the decision and direct REA to call in loans that have been made over the last 22 or 23 years.

Senator YOUNG of Ohio. It is a fact, isn't it, that admittedly the Comptroller General has a right to this interpretation if he thinks there is an uncertainty in the intent?

Senator AIKEN. I don't want to speak conclusively on that, but I think he had the right to render the opinion.

Senator YOUNG of Ohio. Yes, but now for those of us who take the firm view that the kerosene lamp and wood stove are no longer good enough for the farmers of our country, and we are friends of rural electrification, this spells out our intent to foster and promote; is that correct?

Senator AIKEN. That was my purpose anyway. We also have to realize that besides improving the rural areas, the rural electrification program serving over 4 million rural homes and some suburban homes at the present time has created billions of dollars worth of business and thousands of jobs for people who live in the cities.

Now the REA is in a position where, in order to meet the demands to enable their members to purchase modern electrical equipment, they have to provide more power. I think that is important at the present time because it is my understanding the manufacturing of electrical appliances and equipment has had a rather serious decline and we can help rebuild that business if we just go ahead and build heavier, stronger lines that will carry more adequate supplies of power in the areas served by the REA.

Senator YOUNG of Ohio. I think that the distinguished Senator from Vermont has made a distinct contribution today. I think we are all glad to have his testimony. I have no further questions.

Senator HOLLAND. For the record, briefly, I would like to say that in my estimation the principal contribution made in the rendering of the service has been along the highways where the necessity for garages, service stations, motels, and things of that kind have been met by the existence or the near presence of the REA lines which enabled the coming in of those facilities to add to the various types of business mentioned already.

Senator HOLLAND. According to the list given to me, Senator Curtis is the next witness.

**STATEMENT OF HON. CARL T. CURTIS, A U.S. SENATOR FROM THE
STATE OF NEBRASKA**

Senator CURTIS. Thank you, Mr. Chairman. My remarks with regard to Senate Resolution 21 will be very brief. I am a cosponsor of the bill and in favor of the resolution. I favor its passage—its approval by this committee and its passage by the Senate.

It appears that administratively the particular problem that arose has been taken care of but the matter of making it clear for all other REA applicants I think makes it important that the resolution should be passed. I appreciate the opportunity to go on the record.

Senator HOLLAND. Is there a question by any member of the committee?

Senator TALMADGE. Yes.

Senator HOLLAND. Senator Talmadge.

Senator TALMADGE. You stated that administratively the situation had been cleared up. Would you clarify that, please? What has been clarified?

Senator CURTIS. It is my understanding that the Department of Agriculture moving primarily by the suggestion of Mr. David Hamil and the Secretary's Office, prevailed upon the Comptroller General to change his position in this particular case.

Senator HOLLAND. You are referring, are you not, to the fact that there was a first opinion of the Comptroller General followed by a second one?

Senator CURTIS. That is correct.

Senator HOLLAND. Both of which are in the record.

Senator AIKEN. Mr. Chairman, I think the opinions in the record will clarify that. However, I believe in the final statement of the Comptroller General he didn't rescind his first opinion that these loans may have been or were illegally made, but simply stated that he would not undertake to enforce collection of them pending some decision on the part of the Congress. As the opinion stands, they were not properly made.

Senator HOLLAND. Senator Curtis, is that the matter you referred to in your earlier testimony?

Senator CURTIS. Yes.

Senator HOLLAND. Senator Talmadge.

Senator TALMADGE. No further questions.

Senator HOLLAND. Senator Schoeppel.

Senator SCHOEPPEL. Do you feel that in order to clarify this so that there will not be any question about loans heretofore made or loans now in the process of being completed, that Senate Resolution 21 should be passed by the Senate?

Senator CURTIS. I do.

Senator SCHOEPPEL. Despite the fact that the matter that you have testified to a moment ago had been administratively taken care of in protection of some of the back loans and some of the future loans that have been consummated, is that the point?

Senator CURTIS. Yes.

Senator HOLLAND. Senator Young.

Senator YOUNG of Ohio. No questions.

Senator HOLLAND. Senator Mundt.

Senator MUNDT. No questions.

Senator HOLLAND. Senator Ellender, any questions?

Senator ELLENDER. No.

Senator HOLLAND. Thank you very much.

Senator HOLLAND. According to my list, Senator Humphrey is the next witness.

**STATEMENT OF HON. HUBERT H. HUMPHREY, A U.S. SENATOR
FROM THE STATE OF MINNESOTA**

Senator HUMPHREY. Mr. Chairman, I think the case for Senate Resolution 21 has been stated in great detail and very effectively by Senator Aiken. It has been supported by Senator Curtis. I am also a cosponsor with Senator Aiken of Senate Resolution 21 and feel that the adoption of this resolution is absolutely essential to make the intent of Congress unqualifiedly clear.

I believe that the language of the ruling of the Comptroller General would bring about some confusion and uncertainty in the future, as well as in regard to all loans in the past.

Temporarily on the immediate loans relating to the Iowa project, Senator Schoeppel's question brought out that there had been a clarification insofar as any collections are concerned; but for all other loans in the past and for forthcoming loans and the policy relating to those loans, I think the resolution which Senator Aiken has sponsored, along with many of us as cosponsors, is important.

I would also like to add that I have a brief statement which I am not going to read. I will ask to have it made part of the record in support of Senate Resolution 21, so that we conserve time here because I do not believe there is anything important that needs to be said or can be said about it that would give further information.

Senator HOLLAND. Without objection, the statement of Senator Humphrey with reference to Senate Resolution 21 will be inserted in the record.

(The statement referred to is as follows:)

Mr. Chairman, I have been tremendously concerned about the dangers inherent in the Comptroller General's ruling on REA since it was first announced last year. I have felt strongly that the Congress should take prompt and affirmative action to clear away the confusion and uncertainty which that ruling created.

I was very pleased, therefore, to join with the distinguished Senator from Vermont and other of our colleagues in sponsoring Senate Resolution 21. Senator Aiken has always been one of REA's greatest supporters, and certainly this resolution is a splendid example of that support.

Many of us were shocked last year when the Comptroller General issued this REA ruling. He ruled on a specific loan to a co-op in Iowa, but his language was so broad that it would have impaired the entire REA lending program. One thing is certain, and every one connected with the program agrees on this—if the Comptroller had made the same ruling 23 years ago there would never have been an REA program.

This is my opinion, and it is also the opinion of the local rural electric cooperatives, the National Rural Electric Cooperative Association, the U.S. Department of Agriculture, and the Rural Electrification Administration. When all of these groups agree on a matter pertaining to REA, you can be sure their position is well taken. As you know, they haven't always agreed on policies in the past few years.

This ruling says in effect that a rural electric system can't serve anyone if a private power company happens to have lines somewhere in the area. The REA Act says loans will be made to serve unserved persons, but the Comptroller General says the act didn't really mean "persons" at all; that it meant "un-

served areas." This is sheer nonsense. The act is clear and unambiguous and speaks for itself.

For 23 years the REA has administered the act according to what the act said. The Congress has heartily approved the REA's lending policies. This is obvious, because we have appropriated funds year after year to implement those policies.

This resolution merely restates the intent of Congress so far as the rural electrification program is concerned. It is clear and simple and provides for nothing which was not contained in the original act. I trust the Comptroller General will have no difficulty in interpreting either the meaning or the legislative history of this resolution.

One of the things which most concerned me about the ruling was the manner in which the Comptroller General attempted to justify it. In a letter to him last August, I pointed out that he had omitted great gaps in the record of the congressional debate when the REA Act was being considered. Colloquys between Senators were taken completely out of context and the Comptroller left out language which made the intent of Congress crystal clear.

I thought this was a very poor basis for such an important ruling and I communicated that feeling to the Comptroller General. At the same time I suggested to the Senate Agriculture Appropriations Subcommittee that they study the ruling in an attempt to determine why it was issued and what was behind it. I still feel that such a study is badly needed and is very much in the public interest.

I enthusiastically support and endorse Senate Resolution 21. I hope the committee will give it prompt and favorable action.

Secretary HUMPHREY. Mr. Chairman, I also have a letter that was made available to me to be brought to this meeting by Senator Mansfield. It is addressed to you, sir.

Senator Mansfield points out that due to other congressional matters he is unable to testify in person on behalf of Senate Resolution 21.

He says:

I have asked Senator Humphrey to present this letter to you and the members of the subcommittee, expressing my complete support for the purposes of this resolution, which I have cosponsored with the distinguished senior Senator from Vermont, Mr. Aiken, and others.

His letter is self-explanatory. Senator Mansfield wholeheartedly supports this resolution.

I ask unanimous consent that his letter be made a part of the record.

Senator HOLLAND. Without objection, it will be made a part of the record.

(The letter referred to follows:)

U.S. SENATE,
March 4, 1959.

HON. SPESSARD HOLLAND,
*Chairman, Subcommittee on Agricultural Credit and Rural Electrification,
Senate Committee on Agriculture and Forestry, U.S. Senate,
Washington, D.C.*

DEAR MR. CHAIRMAN: Due to other congressional matters I will be unable to testify in person today in behalf of Senate Resolution 21, but I have asked Senator Humphrey to present this letter to you and the members of the subcommittee expressing my complete support for the purposes of this resolution, which I have cosponsored with the distinguished senior Senator from Vermont, Mr. Aiken, and others.

The rural electrification program, in my estimation, is one of the finest and most productive federally sponsored programs that has ever been put into operation. The REA program has made it possible for hundreds of thousands of families in rural areas to have electricity and telephone service and the conveniences that are dependent on this source of energy. At the present time approximately 95 percent of the Nation's farms are electrified, but the major project ahead is to bring this service to the remaining 5 percent and on an

economical basis. Also, we must protect the efficient operation of existing rural electrification and telephone cooperatives. In the past year decisions handed down by the Comptroller General have clouded and confused the administration of this important program.

It is time that the Congress restated its intent and desire to have the Rural Electrification Administration operate as an independent agency of the Federal Government. The REA Administrator must have full authority over its own loan program, if not, the heart of the entire REA program will be lost in a matter of years.

This situation requires that the Congress reaffirm its desire to see that full authority is reestablished to the Administrator. That is what Senate Resolution 21 will do and nothing more.

I sincerely hope that your subcommittee will recognize the seriousness of the situation and report favorably on Senate Resolution 21 at an early date.

I would appreciate having this letter made a part of the printed record of this hearing.

Thanking you and with best personal wishes, I am

Sincerely yours,

MIKE MANSFIELD.

Senator HUMPHREY. I have nothing else to add except that as soon as we can clarify this matter, the better it is going to be for Mr. Hamil and for the Department of Agriculture and for all of us who are asked questions by our REA friends as to what the firm national policy is relating to loans and the interpretation of such words as "area" for example, which was referred to by the Comptroller General.

Thank you.

Senator HOLLAND. Thank you, sir.

Senator SPARKMAN.

STATEMENT OF HON. JOHN J. SPARKMAN, A U.S. SENATOR FROM THE STATE OF ALABAMA

Senator SPARKMAN. Thank you, Mr. Chairman, and gentlemen of the committee. I shall be very brief.

As one of its sponsors, I appear here this morning in behalf of Senate Resolution 21.

As you all know, Senate Resolution 21 was introduced for the purpose of making it clear that it is the Senate's intention that the REA loans continue to be granted on the same basis that they have been granted since the original REA law was enacted.

Mr. Chairman, I am not one of those who feel that private power is all black and public power is all white. There are things in both of these programs which could be improved. I think there is plenty of room in this country for both public and private power, and I think that the combination of the two has been a tremendous job of raising this Nation to the high standards of living which it enjoys today. We need all the power we can get, public and private.

Let me cite a situation in my own State. Since the first REA electric line was established in Cullman in 1936, there has been a total of 27 borrowers, 24 of them cooperatives. They have received loan approvals totaling \$92 million as of July 1, 1958. Alabama electric borrowers have maintained good repayment records. None were overdue. Of the \$76 million federally advanced to borrowers, \$13,500,000 has been repaid; \$8 million paid in interest; \$2,800,000 paid ahead of schedule.

In Alabama, on July 1, 1958, nearly 167,000 of 177,000 farms in this State had electricity; that is 94 percent. In 1936 the figure was 4 percent.

I am not intending to say that all of this has been done by REA, but it has been done by the combination of REA and of private power programs, the program largely spearheaded by the REA program that has brought this about.

I am sure that this is typical of the entire country. I do not believe anything ought to be allowed to stand, to impede the REA program. Therefore, I strongly support Senate Resolution 21.

Senator HOLLAND. Thank you, Senator Sparkman.

Senator Talmadge, any questions?

Senator TALMADGE. No questions.

Senator HOLLAND. Senator Mundt.

Senator MUNDT. I would like to inquire of Senator Sparkman whether he shares my interpretation of Senate Resolution 21 with his, that it would simply permit REA to continue to do legally what it has been doing in the years past, and do it without any shadow of some accountancy technicality coming along which would bring uncertainty or delay in carrying out the intention of Congress.

Senator SPARKMAN. That is my interpretation.

Senator MUNDT. Is that also the interpretation of Senator Humphrey?

Senator HUMPHREY. Absolutely.

Senator MUNDT. I think the faster and more speedily we can pass this legislation the better off we will be.

Senator SPARKMAN. I agree wholeheartedly.

Senator HOLLAND. Senator Young.

Senator YOUNG. No questions.

Senator HOLLAND. Senator Schoeppel.

Senator SCHOEPPEL. I would like to say to the distinguished Senator from Alabama that when I was with the State commission we had the question of overlapping of the territories. Apropos of what the distinguished Senator just said, there were areas where there may have been some conflict, but those situations have been completely and totally worked out.

The ruling of the Comptroller General might cast some doubt on what has heretofore been done. In many, many instances it was mutually agreed to between the REA authorities and the private power companies.

I share the feelings expressed here that this ought to be expedited and clarified, because I think they have done a splendid job. Certainly, there are rural areas that would not have been served had they not gone into this field.

Senator HOLLAND. Senator Ellender.

Senator ELLENDER. No questions.

Senator HOLLAND. Senator Aiken.

Senator AIKEN. No questions.

Senator HOLLAND. Thank you, Senator Sparkman.

(Senator Sparkman's prepared statement is as follows:)

Mr. Chairman, as one of its sponsors, I appear here this morning in behalf of Senate Resolution 21.

As we all know, Senate Resolution 21 was introduced for the purpose of making it clear that it is the Senate's intention that REA loans continue to be granted

on the same basis that they have been granted since the original REA law was enacted.

Briefly, I want to say that the June 1958 decision and the October 1958 opinion of the Comptroller General can have the effect of contributing to the untimely end of the REA program.

It is a matter of record that I am not one of those who feels that private power is all black and public power is all white. There are things in both of these programs which could be improved. I think there is plenty of room in this country for both public and private power, and I think that the combination of the two has done a tremendous job of raising this Nation to the high standard of living which it enjoys today. We need all the power we can get, public and private.

In view of this need I cannot go along with those who try to harm public power. As Senator Aiken has stated, if the Comptroller General's decision is allowed to stand, every application for an REA loan would have to be sent back for reevaluation. I also understand that REA analysts would find it hard to develop the necessary criteria for conforming to the Comptroller General's position.

Thus, in effect, we have here an attempt to complicate the REA loanmaking process. I regret this attempt in view of the fine record that REA cooperatives have made in their loan repayments.

Since 1946 the total loss nationally to the Government on foreclosures on REA loans has amounted to only \$44,478. As of July 1, 1958, the total amount of principal and interest overdue nationally more than 30 days amounted to only \$106,619, and this was attributed to the delinquency of only four borrowers.

This is, indeed, a remarkable record. My own State of Alabama has more than done its share in helping establish this remarkable repayment record.

Alabama has profited immensely under REA. Since the first REA electric line was established at Cullman in 1936, a total of 27 borrowers, 24 of them cooperatives, has received loan approvals totaling \$92 million as of July 1, 1958.

Alabama's electric borrowers have maintained good repayment records through July 1, 1958. None were overdue. Of the \$76 million federally advanced to borrowers \$13,500,000 has been repaid on the original loan; \$8 million paid in interest; and \$2.8 million paid ahead of schedules.

In Alabama on July 1, 1958, nearly 167,000 of 177,000 farms, or 94 percent, had electricity. In 1935 only 4 percent had electricity.

Any attempt to complicate the REA loanmaking process can mean further delay in providing 10,000 Alabama farms, still without electricity, with the electric facilities they badly need.

Electricity on farms is pretty much taken for granted these days. However, there are still over 200,000 farms in the Nation which do not have electricity. The people on these farms are living in the 20th century. They have the right to enjoy the conveniences of this century.

I hope and I believe that Senate Resolution 21 will receive substantial support in the Senate and thus make it clear to all that the Senate is not going to stand by idly while roadblocks are thrown into the path of 100 percent electrification of our farms and rural areas.

Mr. Chairman, I thank you.

Senator HOLLAND. Senator Langer has asked to be heard. I understand he has been detained, and that there is someone here from his office to represent him. Would you please give us your name?

Mrs. GWINN. I am Mrs. Dorothy F. G-w-i-n-n. Senator Langer asked me to have his position made known as being in favor of the resolution. He is one of the cosponsors.

Senator HOLLAND. Thank you, Mrs. Gwinn.

Senator ELLENDER (presiding). I understand Mr. Whitmore, president of the Iowa-Illinois Gas & Electric Co. is anxious to leave this afternoon, and has a return ticket. I think, to return at 2 o'clock. Is Mr. Whitmore present?

Mr. WHITMORE. Yes.

STATEMENT OF CHARLES H. WHITMORE, PRESIDENT, IOWA-ILLINOIS GAS & ELECTRIC CO., DAVENPORT, IOWA

Mr. WHITMORE. Mr. Chairman, and members of the subcommittee, I am Charles H. Whitmore, president of Iowa-Illinois Gas & Electric Co., of Davenport, Iowa. I wish to thank Chairman Holland and the members of the subcommittee for granting me this opportunity to be heard on proposed Senate Resolution 21. The resolution would declare as the sense of the Senate that the decisions of the Comptroller General of July 21 and October 15, 1958, referred to therein are rejected as contrary to the clear intent of the Congress.

Gentlemen, this situation which made me request the opportunity to speak with respect to the resolution, stated in capsule form, is this: My company was subjected to a raid by a co-op to capture a customer. The raid was financed by an REA loan which we believed was illegal. We tried to protect ourselves, but the raid was successful. The Comptroller General has ruled that such loan was illegal. The adoption of the resolution would amount to Senate approval of the financing of such raiding with Federal funds.

It was my company which called to the attention of the Comptroller General the REA loan which he held to be illegal in his two decisions referred to in proposed Senate Resolution 21. I am here today because I think the decisions are right in holding the loan that deprived us of our customer to be illegal, and because I know this subcommittee, before taking any action with respect to proposed Senate Resolution 21, will want to know the background of those decisions.

Iowa-Illinois is a gas and electric utility company owned by more than 13,000 shareholders. In 1956 we became concerned over a situation involving one of our industrial customers served from facilities purchased by us earlier that year from an electric-railway company. An REA loan, which we considered to be clearly unlawful, threatened the loss of that and other customers and, in fact, had just that result. The industrial customer was Lehigh Sewer Pipe & Tile Co. at Lehigh, Iowa. I shall refer to that company as "Lehigh Pipe." They had decided to expand their manufacturing facilities and had made plans to erect a new building on the same plot of ground with their existing facilities then served by my company. The new building was erected about 160 feet from the existing facilities. My company, as well as its predecessor in interest, the railway was ready, willing and able to, and offered to, provide the electric-energy requirements of the entire Lehigh Pipe plant, including the new addition. Negotiations with Lehigh Pipe to that end were in progress when we learned that the Rural Electrification Administrator had granted a loan of approximately \$120,000 to a co-op to construct a 20-mile transmission line for the alleged sole purpose of enabling the co-op to serve the electric requirements of the addition to the Lehigh Pipe plant. Prior to that time the Administrator had ruled the loan could not be granted because Lehigh Pipe was receiving central-station service from our facilities. The \$120,000 was a portion of an overall loan which had originally been announced in September of 1955. The portion thereof to build the line to serve Lehigh Pipe had subsequently been disap-

proved, as just stated, because Lehigh Pipe was then receiving central-station service.

Senator ELLENDER (presiding). When did that start? When did you start furnishing power?

Mr. WHITMORE. Our predecessors and interest, the Railway Co., had furnished Lehigh Pipe from the time it began as an operator for many years ago.

Senator ELLENDER. And you bought them out?

Mr. WHITMORE. We bought them out; yes, sir.

Senator ELLENDER. When was that done?

Mr. WHITMORE. In 1956.

Senator ELLENDER. How long before the loan was made?

Mr. WHITMORE. Approximately a year.

Senator ELLENDER. Was the REA in that area? operating in that area?

Mr. WHITMORE. They were operating in that area in a minor way but, as set forth here in the formal statement, the 20-mile tap was stated by an officer of the co-op to have been built for the sole purpose of picking up that addition of the Lehigh plant.

Senator ELLENDER. Is that true?

Mr. WHITMORE. I presume so.

Senator ELLENDER. Did it serve any other industries there or any other people that they were entitled to serve?

Mr. WHITMORE. Not in my opinion off of that tap, because they took over the rest of the plant which, to begin with, they said they were not planning to serve—it wasn't for that purpose—it was to serve the unserved part. I believe that is somewhat further explained in the formal statement, but the basic purpose of the 20-mile tap was stated to be to take over just the part of the manufacturing plant that was new. But as you will see here, that isn't what transpired.

Senator ELLENDER. Proceed.

Mr. WHITMORE. The portion of the loan to build the line had been subsequently disapproved.

We believed then, as we believe now, that such loan was clearly illegal, as found by the Administrator, because of the limitation of the Rural Electrification Act that loans for financing construction of facilities can be made only to serve persons in rural areas not receiving central-station service.

Senator ELLENDER. You say "as found by the Administrator." Why didn't he find that out before he made the loan?

Mr. WHITMORE. He found that the loan could not be granted and he later reversed himself on the ground that the new plant because it was 160 feet away was a new person, a new unserved person. The co-op itself is treating the entire plant just as the Lehigh Pipe organization—as one plant. It is now served through one meter. It is one customer for all practical purposes.

We promptly brought suit in the District of Columbia for a declaration of rights and an injunction against the loan. Our complaint was dismissed without any decision on the merits on the ground that an earlier case required the holding that we did not have standing to litigate the legality of an REA loan.

Senator ELLENDER. To what extent does your company compete with REA in that particular area?

Mr. WHITMORE. According to the documents that are submitted along with my statement and are in the record as previously suggested by Chairman Holland, the REA was on the property with a small residential line, but as for the industrial customers the co-op had not been in that territory at all. It was some 20 miles away, and so far as I know it did not have that area other than for its stated purpose of serving farmers who had not otherwise been served.

Senator ELLENDER. Nor had you when you bought out the facilities?

Mr. WHITMORE. On the contrary, sir, we were in that area since about 1906, but that was in adjoining property. The railway had served a part of the area. We had served a part of the area. We had owned a part of the area. We purchased the railway and made it one, so that we have been in the general area for something over 50 years, serving other industries.

Senator ELLENDER. Serving industries not located far from the facility in question?

Mr. WHITMORE. In the same industrial area. It is a very substantial industrial area near the city limits of Fort Dodge, Iowa.

Senator ELLENDER. Was the REA furnishing any of these manufacturing facilities at that time?

Mr. WHITMORE. No, sir.

Senator ELLENDER. All right, proceed.

Mr. WHITMORE. When the \$120,000 loan was approved, the Administrator justified his reversal of position on the ground that the additional facilities constructed by Lehigh Pipe constituted a separate and independent unit which was a new and unserved person for loan purposes, despite the fact that Lehigh Pipe was receiving central-station service at its existing facilities at the same site. We believed then, and still believe, that that concept is wrong.

The record before the Comptroller General shows without contradiction that both new and old facilities of Lehigh Pipe were being served by the same executive and sales office, by common clay pits and clay-transporting facilities and by the same carpenter and machine shops.

Since we had not been able to get a determination of the validity of the loan in the courts, we explored other ways of obtaining such a determination by a responsible public official. Being advised that the Comptroller General has statutory obligations to investigate all matters relating to the disbursement and application of public funds, to superintend the recovery of all debts due the United States, and to report to Congress every expenditure or contract made by Federal agencies in violation of law, we decided that we should bring the situation to the attention of the Comptroller General. We did so by a letter dated October 10, 1957, which requested the Comptroller General to investigate and consider the matter and to take appropriate action if he found the loan to be illegal. Thereafter, the Department of Agriculture filed with the Comptroller General its views with respect to the loan in question. I am submitting for the consideration and records of the subcommittee copies of our letter and of the subsequent pertinent documents other than those which are already before the subcommittee and specifically referred to in the resolution. The documents submitted with my statement are marked "Exhibits A through E."

Senator ELLENDER. Those records will be filed for the use of the subcommittee in connection with your testimony.

Mr. WHITMORE. Yes, sir.

Senator ELLENDER. I presume they are all attached to your statement?

Mr. WHITMORE. They are; yes, sir.

Senator ELLENDER. Proceed.

Mr. WHITMORE. The essential question which proposed Senate Resolution 21 presents is whether the decisions of the Comptroller General are contrary to the intent of Congress with respect to the central station service provisions of the Rural Electrification Act. The answer to that question depends on what the decisions are. If the effect of the decisions is, based on the facts, consistent with the intent of Congress, the resolution should not be adopted. On the basis of the concrete factual situation presented, the decisions come down to this:

The Comptroller General disagreed with the artificial and opportunistic concept that a new building of an industrial corporation on the same site with its old facilities is a new and unserved person within the meaning of the central-station service limitation of the Rural Electrification Act. To accept such a concept would be to qualify any industrial corporation which made an addition to its plant in a rural area as a beneficiary of 2 percent Government money. With the increasing decentralization and dispersion of industry to rural areas, this is a matter of serious concern to public utility companies and their stockholders.

The decisions also deal with the question of whether or not the Rural Electrification Act permits the loan of Federal funds to build a transmission line to serve a person who is located alongside of or adjacent to an existing power line from which that person is receiving, or is able to receive, central-station service. The legislative history which is set forth in the decisions of the Comptroller General and the other pertinent documents leads me to believe that this aspect of the Comptroller's decisions is also thoroughly sound.

However, the thing I would like to emphasize to this subcommittee is that the REA with all the facts at hand, has furnished Federal money to a co-op with which to take an industrial customer away from my company under what appears to me a tortured and artificial concept, namely, that a new facility of an existing industrial customer constitutes a new and unserved person for loan purposes under the Rural Electrification Act. To approve the resolution would be for the Senate to say that it was, and is, its intent to have REA make loans of Federal money for the purpose of taking customers away from private utility companies and handing them over to cooperatives.

A representative of the co-op testified at hearings before the Iowa State Commerce Commission in July of 1956 that the new facility of Lehigh Pipe was the only "customer" intended to be served from the contemplated Lehigh tap. The inconsistencies between that statement and what has actually happened are extraordinary. As a result of the loan and the construction of the Lehigh tap, we have not only lost the opportunity to serve the additional facilities of Lehigh Pipe, but we have also lost Lehigh Pipe as a customer with respect to all the rest of its facilities which are now also being served by the co-op from the Lehigh tap. In addition, we have lost another cus-

tomers, the town of Lehigh, which we had been serving and which is now being served by the co-op from the Lehigh tap. At least one other industrial customer of my company has been approached by the co-op with a view toward furnishing service to that customer from the Lehigh tap.

The artificiality and inaccuracy of the REA theory that the additional facilities of Lehigh Pipe constituted a new and unserved person for loan purposes is emphasized by the fact that the co-op is now serving both the old and the new facilities of Lehigh Pipe through the same meter. The co-op is clearly treating Lehigh Pipe as a single customer.

Senator ELLENDER. What portion of the Lehigh Pipe did you purchase, the facility to operate?

Mr. WHITMORE. Not Lehigh Pipe, sir, the Electric Railway Co. that had previously served Lehigh Pipe as its industrial customer.

Senator ELLENDER. Are you still operating that facility?

Mr. WHITMORE. Yes, sir. That facility of course had many other industrial customers which we hope to retain.

Senator ELLENDER. What has prompted the Lehigh Pipe to take power from REA rather than you?

Mr. WHITMORE. Well, sir, there is a great deal in the documents here on that subject.

Senator ELLENDER. Give me a thumb sketch because with all due respect to you, we do not have time to read all of that. However, if you can give it to me, I would like to have it.

Mr. WHITMORE. I appreciate the opportunity to do so, sir. The nub of the matter is this: With the preceding supplier the service was perhaps not the best and its rates were not the lowest. Now rates are a matter of great interest, of course, to an industrial customer.

With all other matters being equal, the private company must charge something approximately 25 percent more for its service because of the amount of money that goes into Federal income tax.

Senator ELLENDER. I understand that.

Mr. WHITMORE. So with 2 percent money and freedom from Federal income tax we in the private industry are in a poor case to compete. I think that gets down to the nub of it.

Senator ELLENDER. Aren't your rates fixed by some sort of commission?

Mr. WHITMORE. It is unfortunately not in the case of Iowa. We feel there should be such regulation in Iowa.

Senator ELLENDER. That may be your trouble.

Mr. WHITMORE. I think that is a part of it, and I believe that is a matter that is before the legislature in the State of Iowa at this time.

But in all events, the rates are not so fixed and it is very difficult to compete.

If the chairman would permit me, I would like to suggest that a possible alternate to this proposal would be a proposal by which in the circumstances in which we find ourselves we would have an opportunity to get a court determination based on facts rather than on correspondence, and conversations, as to whether or not the REA Administrator is acting within the law in the circumstances of this particular character.

Senator ELLENDER. Has the court precluded you from taking such a step?

Mr. WHITMORE. Yes, sir; we applied to the district court here in the District of Columbia. We carried an appeal to the circuit court. We were denied certiorari by the United States Supreme Court on the ground which was found in the Kansas City case, namely, that the mere fact that a utility company is being harmed by competition does not give it standing in Federal court to question the validity of a loan.

As a lawyer it seems to me that that would be a much better forum in which to find ourselves where everybody could make a complete and proper record and get a binding decision. Then the Congress if it so chose would have something pretty definite on which to operate.

Senator ELLENDER. It is very unusual for Congress to try to confer jurisdiction to any private individual or company to sue someone else.

Mr. WHITMORE. I wonder, Mr. Chairman, whether there aren't almost universal provisions, at least in administrative matters, for that.

Senator ELLENDER. Well, of course, that is done through the Court of Claims at times.

Mr. WHITMORE. For example, an administrative ruling of the Securities and Exchange Commission may be carried directly.

Senator ELLENDER. That is because it is specifically provided for in the law.

Mr. WHITMORE. And that would be my suggestion, that it be specifically provided for in this law only so that we could have a fair decision of the intent of Congress on the particular facts. I believe under the facts of this particular case, the practical effect of the decisions of the Comptroller General is simply to declare illegal the advancing of Federal funds for the purpose of serving this new addition. That is the specific fact to which the Comptroller General addressed himself.

To reject the decisions as contrary to the intent of the Congress would, therefore, qualify a new and growing class of industrial beneficiaries for REA loans. The increased dispersion of industry into rural areas is creating substantial additional demands for electric power in rural areas. Such a rejection would mean that any industrial concern in a rural area which created an addition to its facilities could make itself eligible as a beneficiary of an REA loan to a co-op. To adopt Senate Resolution 21 would be to say that the Congress in 1936 and today would pass an act to provide Federal funds to build a transmission line such as the Lehigh Tap for that purpose, that is, to serve an addition to the plant of an industrial concern in a rural area which was already receiving central station service. If the Congress wishes to enact such legislation, it should do so directly by amending the Rural Electrification Act—not by a resolution such as Senate Resolution 21, which does not put before the Senate the concrete facts upon which the Comptroller General's decisions were based.

I sincerely urge that the members of the subcommittee read the documents submitted in connection with the decisions, because I believe that it is only on the basis of the factual situation underlying the loan in question that the true meaning and scope of the Comptroller's decisions can be fully appreciated.

The Comptroller General occupies a unique position of independence in our governmental structure. The office was created by the Congress in order that there might be disinterested and independent surveillance of the expenditure of public funds and administrative action with respect thereto. The decisions of the Comptroller General are entitled to great weight and respect. In proposing that the decisions be rejected, proposed Senate Resolution 21 constitutes legislation of a far-reaching and unusual nature. It would substitute for the decisions of an independent and disinterested public official the views and arguments of the agency responsible for administering that law.

I knew that the subcommittee will carefully weigh the decisions involved in the light of the factual situation on which the Lehigh Tap loan was attempted to be justified. Again I urge that that factual situation underlying the Comptroller's decision precludes adoption of the resolution and that, accordingly, proposed Senate Resolution 21 should not be favorably reported.

Mr. Chairman, I would like to suggest, too, that I believe the adoption of 25 or 30 pages of argument and refutations and speculation as the intent of the Senate with respect to a piece of legislation that has been on the books since 1936 could well be kind of a Chinese nightmare from the standpoint of administration in the future, because I don't believe that anyone reading those arguments and refutations and so forth can arrive at any clear-cut concept of policy on the part of the Congress.

Thank you very kindly, sir, for this opportunity to appear.

(The exhibits attached to Mr. Whitmore's testimony are as follows:)

EXHIBIT A

DAVENPORT, IOWA, *October 10, 1957.*

COMPTROLLER GENERAL OF THE UNITED STATES,
General Accounting Office, Washington, D.C.

DEAR SIR: There is hereby brought to your attention an expenditure and contract made by a Federal establishment in violation of law and which relate to the receipt, disbursement, and application of public funds. You are respectfully requested to take appropriate action in the premises in accordance with your powers and duties under the law.

We set forth the pertinent facts and considerations below:

1. THE FACTS

Iowa-Illinois Gas & Electric Co. (which will be hereinafter referred to as Iowa-Illinois) is an electric utility company whose service territory covers portions of Illinois and Iowa. Iowa-Illinois from about March 1956, to about June 1, 1957, has provided central station electric service to Lehigh Sewer Pipe & Tile Co. (which company will hereinafter be called Lehigh Pipe) of Lehigh, Iowa. Prior to March 1956, Lehigh Pipe has been receiving central station electric service from the same electric system, which then belonged to the predecessor in interest of Iowa-Illinois, the Fort Dodge, Des Moines & Southern Railway Co. (hereinafter called the railway). The system was purchased from the railway by Iowa-Illinois in March 1956.

Under the central station service limitation of the Rural Electrification Act of 1936, as amended (7 U.S.G. 904) loans are authorized "for the furnishing of electric energy to persons in rural areas who are *not* receiving central station service" [emphasis supplied]. The term "central station service" is not defined in the act, but is a term generally used in the electric industry to mean electricity received from a central generating station as distinguished from an individual generating unit such as a Delco plant. In general, "not receiving central station service" is equivalent to "not being served by an existing utility

company." Not only has Iowa-Illinois (or its predecessor in interest) for years been furnishing central station service to Lehigh Pipe, an industrial customer, but it is willing and able and has offered to provide service to meet the requirements of an addition which has recently been constructed to the facilities of Lehigh Pipe. Nevertheless, the REA approved a loan of about \$120,000 to Central Iowa Power Cooperative, a generating and transmission cooperative (which will hereinafter be called CIPCO) which furnishes electric energy to Greene County Rural Electric Cooperative, a distribution cooperative (which will hereinafter be referred to as Greene County Co-op). Such loan had as its sole purpose the financing of an electric transmission line to enable Greene County Co-op to serve the power requirements of the addition to the facilities of Lehigh Pipe.

In early 1955 the railway offered to supply the electric-energy requirements of such addition. Some time thereafter Greene County Co-op entered into negotiations with Lehigh Pipe for a contract to supply its additional electric requirements. To that end, Greene County Co-op arranged with its supplier of power, CIPCO, to apply for an REA loan of about \$120,000 for financing the construction of approximately 20 miles of transmission line which would be necessary for Greene County Co-op to be in a position to serve Lehigh Pipe's additional requirements. On September 9, 1955, the approval of an REA loan to CIPCO was announced by the Deputy and Acting Administrator of the REA. That loan (designated Iowa S3EF Cedar Rapids) provided, among other things, approximately \$120,000 to finance the construction of a transmission line which was intended by Greene County Co-op to serve Lehigh Pipe. A representative of Greene County Co-op stated in July of 1956 at a franchise hearing before the Iowa State Commerce Commission that Lehigh Pipe was the only new customer to be served from the new line. It has since developed, however, that another customer of Iowa-Illinois has been lost to the new line, and the loss of additional customers is possible.

After the approval of the loan, Greene County Co-op entered into a 20-year contract with Lehigh Pipe to provide its additional electric-energy requirements. In November 1955 the loan to CIPCO, insofar as it provided for the financing of the transmission line to serve Lehigh Pipe, was disapproved by the REA *on the ground that Lehigh Pipe was already receiving central station service* from the railway and, therefore, was not an eligible beneficiary of the loan under the Rural Electrification Act, which, as pointed out above, limits loans to financing facilities to serve persons in rural areas not receiving central station service. In the spring of 1956 there were meetings between the Deputy Administrator of the REA and representatives of the cooperatives, after which the loan to finance the transmission line was reapproved. The theory of that reversal of position by the REA was that the facilities to be served were not an extension of, or an addition to, the existing plant of Lehigh Pipe, but were "a completely new, separate, and independent plant," and, therefore, although concededly Lehigh Pipe was receiving central station service from the predecessor in interest of Iowa-Illinois, the "new" plant was not. This "completely new, separate, and independent plant" was then being built some 25 yards from the existing facilities of Lehigh Pipe on land owned by it for many years, apparently to produce the same general type of products as those made in the existing plant. Records submitted in court proceedings show that there is an existing machine shop and an existing carpenter shop which Iowa-Illinois submits will serve the whole Lehigh Pipe operation at Lehigh, Iowa. In addition, it is submitted that common clay pits will provide material for the whole Lehigh Pipe operation. The concept that the additional facilities, built cheek by jowl with the old, constitute a new person not receiving central station service is artificial and opportunistic in nature, which Iowa-Illinois believes came into being only after the original loan was disapproved. On August 28, 1956, the Iowa State Commerce Commission awarded CIPCO a franchise to construct the line and construction of the line now has been completed.

II. THE ILLEGALITY

Iowa-Illinois believes that the making of the loan by the REA is illegal under the express and specific provisions of the Rural Electrification Act because Lehigh Pipe was receiving central station service from Iowa-Illinois and its predecessor in interest, the railway. It follows that the loan contract is one made by a Federal establishment in violation of law and that the payments pursuant to the loan contract to CIPCO for the sole purpose of financing the construction of facilities to serve electric requirements of an industrial customer who was receiving

central station service from Iowa-Illinois are expenditures by a Federal establishment made in violation of law. Such contract and such expenditures are clearly matters relating to the receipt, disbursement, and application of Federal funds.

The result of the loan has been to exclude Iowa-Illinois from furnishing the power requirements of Lehigh Pipe and, in addition, of the town of Lehigh, Iowa. Moreover, Iowa-Illinois has as a direct result of the loan, been subjected to unlawful competition and was in danger of unlawfully being deprived of other industrial customers who had been receiving central station service from Iowa-Illinois and the railway. Iowa-Illinois, therefore took prompt action in 1956 in an endeavor to protect itself by seeking a declaration of its rights and a preliminary injunction against the loan by filing suit in the United States District Court for the District of Columbia. A preliminary injunction was denied, however, on the sole ground of lack of standing to sue. On appeal by Iowa-Illinois, the United States Court of Appeals for the District of Columbia Circuit affirmed the lower court and ordered the dismissal of the complaint. Iowa-Illinois has petitioned the Supreme Court of the United States for a writ of certiorari with respect to that decision, and its petition is now pending before the Supreme Court. Those court proceedings in no way constitute any holding as to whether or not the loan contract and expenditures thereunder, which are by this communication called to the attention of the Comptroller General, are in violation of law. Such a holding by a court, if it shall ever be made, can only take place after a decision by the Supreme Court that there is standing to sue. Assuming such a decision is forthcoming, the merits of the question in all likelihood will not be determined before late 1958. Consequently, regardless of the action of the Supreme Court on Iowa-Illinois' petition for certiorari, those proceedings do not in any way affect the powers and duties of the Comptroller General with respect to the matter.

Accordingly, we here set forth in some detail for the consideration of the Comptroller General the views of Iowa-Illinois as to why the loan contract and the expenditures made under it are in violation of law.

As pointed out above, the central station service limitation of the Rural Electrification Act of 1936, as amended, authorizes loans "for the furnishing of electric energy to persons in rural areas who are not receiving central station service." Clearly that express authorization constitutes in effect a prohibition of a loan "for the furnishing of electric energy to persons in rural areas who" are receiving central station service. The provision has been so viewed by the Comptroller General. In Decision B-42486 of July 25, 1944, to the Secretary of Agriculture the Comptroller General stated that "the basic purpose of the act" is "to provide electricity to unserved persons in rural areas." In that decision the Comptroller General approved the views and conclusions reached in two office letters from which the decision quoted extensively. In one of them, an office letter of December 1, 1942, to Congressman Lyle H. Boren, the Comptroller General had used language, quoted in the decision, to the effect that if "the only persons to be benefited or affected" by a loan to provide existing facilities "are persons already served by such facilities, the administrator would not be justified in authorizing the loan for the reason that there would be wholly lacking the essential statutory purpose of providing service to unserved persons in rural areas."

Opinion No. 4506 of the Solicitor of the Department of Agriculture dated November 24, 1942, is stated in its opening sentence to be "a comprehensive opinion with respect" to the power of the Administrator, under the act to finance the acquisition of existing electrical facilities. That opinion appears beginning at page 498 of the transcript of hearings on rural electrification planning before a subcommittee of the Committee on Interstate and Foreign Commerce of the House of Representatives, 79th Congress, 1st session, on H.R. 1742. Since the statutory basis of the power discussed to finance the acquisition of existing electrical facilities is the same section 4 of the Rural Electrification Act which is here involved, the reasoning of the opinion here alluded to is equally applicable to the question presented by this letter, namely, the power of the Administrator to finance the construction of transmission lines to carry power for Lehigh Pipe's enlarged facilities. In that opinion of the Solicitor of the Department of Agriculture he made clear (p. 503) that an REA loan must be justified upon the basis of the "essential purpose of serving unserved persons."

There can be no question as to the fact that Lehigh Pipe was receiving central station service at the time that the loan was granted and for years prior thereto.

That was, as stated, the original position of the Rural Electrification Administration in initially denying the loan.

We recognize, as pointed out by the Solicitor of the Department of Agriculture in his opinion No. 4981 of May 26, 1944 (beginning at p. 522 of the above-mentioned transcript), that the Comptroller General stated in his office letter of March 12, 1943, to Congressman Tarver (p. 530): "Of course, the question as to whether the basic purpose of a proposed loan in a particular case is to provide electric service to unserved persons in rural areas is a matter for determination administratively, rather than by this office, after a thorough consideration of the pertinent facts and circumstances in the case * * *."

In that same opinion immediately following his reference to the quotation of the Comptroller General just set out, the Solicitor of the Department of Agriculture puts the point in the exact context which applies here. To paraphrase and quote what the Solicitor there said (p. 530) as applicable to the situation here presented: "Here the Comptroller General is saying, in effect, that the determination as to whether, in a particular case, the proposed" loan action "is a reasonable and proper means of attaining the legitimate end of extending electric service to unserved persons in rural areas, is an administrative (rather than a legal) one. From this it is not to be inferred, however, that the scope of such permissible administrative discretion is unlimited. As I (the Solicitor) pointed out in Opinion of Solicitor 4506 (in language already quoted in this opinion): * * * The initial decision on this problem is administrative, subject to the legal limitation that the Administrator's discretion may not be abused. At what point abuse sets in is a matter of degree and each case must be examined on its own facts'."

There is clearly no discretion granted by the Rural Electrification Act to make loans for the sole benefit of a person or company which is receiving central station service. Even when viewed from the point of view of an exercise of administrative discretion, however, we strongly believe that abuse set in in this situation when the Rural Electrification Administration changed its original position that Lehigh Pipe was not an eligible beneficiary of an REA loan as it was receiving central station service and took the position that Lehigh Pipe, as to its increased facilities, was not receiving central station service. Clearly an administrative determination of the Rural Electrification Administrator is not to be followed where, on the face of the record, it flies in the face of the facts. For the Comptroller General to do that would subvert his duty and authority to consider and act with respect to contracts and expenditures in violation of law and would put the Rural Electrification Administration into an area of untrammelled power to act without any question from the Comptroller General with respect to tremendous expenditures of Federal funds.

Clearly here Lehigh Pipe was receiving central station service. Its needs for electric service increased and Iowa-Illinois (and its predecessor in interest) was ready, willing, and able to meet Lehigh Pipe's increased needs but the increased needs are now being served by Greene County Co-op by a line built with money provided by an REA loan which admittedly can only be valid if its bona fide purpose was to bring electric service to a previously unserved person in a rural area. The sole purpose of the loan was to serve Lehigh Pipe's increased needs and yet Lehigh Pipe was receiving central station service from Iowa-Illinois. The very statement of the situation in a way to show the basis of the Rural Electrification action is difficult and demonstrates the artificial and unrealistic premise on which its action is sought to be based.

A fundamental consideration for the Comptroller General to hold that any course of action by the Rural Electrification Administration is not beyond the scope of the authority vested in it by the act is that there "appears ample justification for the conclusion that the primary purpose of the * * * loan * * * is the furnishing of electric energy to persons in rural areas as provided for under the statute." i.e., to persons in rural areas who are not receiving central station service. (Comptroller General Decision B-651, January 17, 1939, to the Administrator, Rural Electrification Administration with respect to an REA loan.) There is no justification for such a conclusion as to the problem presented by this letter. The facts make clear, and compel the conclusion here, that the sole purpose of the loan was to furnish electric energy to a person in a rural area contrary to the provisions of the statute, because such person was already receiving central station service. Service to Lehigh Pipe was not an incidental result which, although in and of itself an illegal purpose for a loan, did not vitiate it because it was incidental to a primary purpose within the authority of the act. Such a situation existed in the case to which the

above-mentioned Comptroller General's decision related—i.e., the fact that “as an incident to the loan” a city having a population in excess of 1,500 inhabitants, which is not a rural area within the definition of the act, might derive some benefit. The furnishing of electricity to Lehigh Pipe in this case was the prime and sole purpose of the loan—it is not a case of one or several users of electricity who have central station service being furnished with electric service as a result of an REA loan as an incident to the primary purpose of the loan to furnish electricity to persons in rural areas who do not have, and have not had, central station service. There have been such cases dealt with by the Comptroller General—see decision B-42486 of July 25, 1944, and October 13, 1944, to the Secretary of Agriculture relating to financing the acquisition of existing facilities.

Even if one were to accept for the moment *arguendo* the artificial theory that Lehigh Pipe can be split in twain at one geographical location and be said to have been receiving central station service as to its original operations and not to have been receiving it as to the increased part of its operations, the loan fails to meet the requirements of the principle pointed out by the Solicitor of the Department of Agriculture in his above-mentioned opinion No. 4891. In that opinion he pointed out that a means proposed to be used to accomplish a legitimate objective can overshadow the objective. He said (p. 530 of said transcript): “Even though a given means is properly motivated and reasonably designed to achieve a legitimate end it may fall outside the scope of lawful discretion because it overshadows the objective.” Here *arguendo* the objective was bringing electric service to that new *alter ego* of Lehigh Pipe which is assumed not to have been receiving central station service as to Lehigh Pipe's increased needs at a place where it has operated and received such service for years. That objective is a shadow itself created opportunistically to endeavor to support an end which could only be accomplished by means of building a competing transmission line. That, in and of itself and without the primary purpose of serving unserved *persons*, is clearly barred by the act. The means here deeply overshadow the flimsy purpose that was created.

Despite the artificial and opportunistic theory developed by the cooperatives and REA to justify the loan here in question as one to bring electric service to a person not receiving central station service, the facts which are apparent of record repel the conclusion that the facilities of Lehigh Pipe built hard by its existing plant and using common facilities and a common clay pit to make substantially similar products to those presently made at its original plant is a “completely new, separate and independent plant.” Clearly, in any realistic and objective view, the additional facilities of Lehigh Pipe are an increase and extension of its existing facilities. But, if any such factual conclusion as the artificial one on which the loan was approved by REA, after changing its original and, we believe, correct position, should be sanctioned as a basis for the making of an REA loan, a veritable Pandora's box would have been opened. The Rural Electrification Administration and those who wish to compete with existing electric public utilities could then find or create some additional need for electricity in a separate building of a utility customer and make an administrative finding that the basic purpose of an REA loan is to afford electric service to that theretofore “unserved” person in a rural area. They could thereby finance electric facilities in a way which would pay only lipservice to the central station service limitation of the act. It would likewise override the proper application and interpretation of the act required by its legislative history which bars the making of REA loans to compete with existing electric public utilities—and would amount to an assertion by REA that it has the right to finance competition for every new building erected at a plant in a rural area.

Such a Pandora's box need not be opened and, indeed, it would do violence to the act to do so. In section 13 of the act it is prescribed that “the term ‘person’ shall be deemed to mean any natural person, firm, corporation, or association.” The central station service limitation of section 4 of the act prescribes the furnishing of electricity to *persons* in rural areas who are receiving central station service—the prohibition relates to a natural person, firm, corporation, or association and not to the activities, or parts or phases thereof, of any of them. The language of the act does not countenance the splitting of any of them in twain and finding that in one part they are receiving central station service and in another they are not. On that rock, too, the artificial and opportunistic theory of REA and the cooperatives with respect

to the loan here in question must founder because the corporation Lehigh Pipe was receiving central station service. Had Congress intended to allow REA financing to furnish electric energy to increased or additional activities of "persons" in rural areas, whether or not those "persons" had been receiving central station service, it would have been simple for Congress so to have phrased the statute. Congress did not do so. The well-known rule of statutory construction that all the words of a statute are to be given effect and a statute is not to be rewritten by reading words which are not there into it requires the rejection of the flimsy theory on which the loan here in question is sought to be based.

Finally, not only because of the fundamental absence of any purpose which brings the making of the loan within the authority of the act but because of the effect of the loan, over and above its vital absence of a valid fundamental purpose, it is necessary to reach the conclusion that the loan is in violation of law. The result required by the act is stated in opinion No. 4506 of the Solicitor of the Department of Agriculture of November 24, 1942. In that opinion he said (p. 502 of the above-mentioned transcript) :

"A study of the debates in Congress and the committee hearings indicates that this provision [the central station service limitation] was inserted because of a legislative intent to exclude loans for the purpose of paralleling existing systems and thus creating competition with established utilities. In a discussion of the meaning of the provision, Senator King questioned Senator Norris, who was the author of the bill. The latter replied that systems financed by the Rural Electrification Administration '*would not come in competition with farms already supplied*' (italics added) (80 Congressional Record 2752 (pt. 3, 1936)). Senator Norris elaborates on his comment by stating :

"There is no intention of going into a farming community which is already supplied with electric current and forming farm organizations there and having them built up to go into competition, * * *, with farmers who are already getting their electric current from a central station' (ibid.).

"At another point, Senator Walsh raised the following question with respect to the central station service limitation :

"That infers, of course, that there is no competition with any existing private or municipal plant."

"To this inquiry Senator Norris replied in the affirmative (80 Congressional Record 3305 (pt. 3, 1936)). In the House, Congressman Rayburn, who was sponsor of the bill, elaborated the same point with the statement :

"May I say to the gentlemen that we are not, in this bill, intending to go out and compete with anybody. By this bill we hope to bring electricity to people who do not now have it. This bill was not written on the theory that we were going to punish somebody or parallel their lines or enter into competition with them' (80 Congressional Record 5283 (pt. 5, 1936)).

"There was considerable further colloquy of the character set forth above which has been discussed in extenso by Mr. Nicholson in previous opinions. Practically the entire debate on the limiting clause here under discussion centered about the question of competition. *It seems clear from the legislative history that the intent of the limitation was to prevent loans that would create federally financed competition with existing utility enterprises.* [Emphasis added]. It appears to be evident that the limitation was not intended to prevent loans, otherwise valid, merely because of the fact that persons already receiving service would be collaterally involved."

The Solicitor then immediately said as to the result required by the act (p. 503 of said transcript) :

"Where the *effect* of a proposed loan, regardless of its essential purpose, would be to substitute a competitive REA-financed service to persons already served, the loan may not be made * * *." [Emphasis added.]

The sole and direct result, and the effect, of the loan here in question has been to deprive Iowa-Illinois of Lehigh Pipe as a customer and also of another important customer, the town of Lehigh, and illegally to create competition as to other customers.

It must be concluded, therefore, that the loan in question is in violation of law because it lacks, and cannot possibly be found to have, a fundamental primary or proper purpose within the authority of the act and because in addition its effect is such as is precluded by the provisions of the act and, accordingly, the making of such a loan is beyond the authority of the act.

The loan is a loan of public funds and therefore, as above stated, the making of it clearly involves expenditure of public funds and the receipt, disbursement, and application of public funds.

III. THE POWERS AND DUTIES OF THE COMPTROLLER GENERAL

We believe that investigation by the Comptroller General and action by him with regard to the REA loan contract to CIPCO discussed above and the expenditures made relating to it of public funds is appropriate and required under the applicable statutory provisions.

The Comptroller General is required by the provisions of section 53 of title 31 U.S.C. to "investigate at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, * * *"; and section 71 of title 31 U.S.C. provides that "All claims and demands whatever by the Government of the United States or against it, and all accounts whatever in which the Government of the United States is concerned, either as debtor or creditor shall be settled and adjusted in the General Accounting Office." Moreover, under the provisions of section 74 of title 31 U.S.C. it is provided that "Balances certified by the General Accounting Office, upon the settlement of public accounts, shall be final and conclusive upon the executive branch of the Government, except that * * * the Comptroller General of the United States may, within a year, obtain a revision of the said account by the Comptroller General of the United States, whose decision upon such revision shall be final and conclusive upon the executive branch of the Government" and such section goes on to provide that "Nothing in this chapter shall prevent the General Accounting Office from suspending items in an account in order to obtain further evidence or explanations necessary to their settlement."

As to expenditure of public funds made and received in violation of law, and, therefore, owing by the recipient to the United States, the provisions of section 93 of title 31 U.S.C. are directly pertinent. They are that "The General Accounting Office shall superintend the recovery of all debts finally certified to be due the United States."

Not only are the statutory provisions referred to above believed to be pertinent to the matter presented to the Comptroller General by this communication, but the provisions of subsection (c) of section 53 of title 31 U.S.C. are believed to be directly applicable to such matter. Those provisions are that "The Comptroller General shall specially report to Congress every expenditure or contract made by any department or establishment in any year in violation of law."

IV. THE REQUEST

In the light of the foregoing, Iowa-Illinois respectfully requests that the Comptroller General investigate the matter presented by this letter; that if he determines, on the basis of the facts relating to the REA loan in question to CIPCO and the expenditure of public funds in connection therewith that a contract and expenditure in violation of law exists, the Comptroller General act in accordance with his statutory duties under subsection (c) of section 53 of title 31 U.S.C., and make a special report to Congress with regard to the illegal contract and expenditure; and that the Comptroller General exercise his authority under sections 71, 74, and 93 of title 31 U.S.C. to adjust the accounts involving such contract and expenditure in violation of law, to review any open balances which may have been certified upon the settlement of public accounts in connection with the matter, and to finally certify the illegal payments involved as debts due the United States and take the appropriate steps to superintend the recovery thereof.

Iowa-Illinois stands ready to furnish any additional information which the Comptroller General may deem desirable and will be glad to have, and would welcome, an opportunity to discuss the matter and present its views orally to the Comptroller General or his representatives. It is requested that any communications with respect hereto be sent to the attorneys for Iowa-Illinois, Messrs. Wilmer & Broun, 616 Transportation Building, Washington, D.C., attention, Mr. E. Fontaine Broun.

Respectfully submitted.

IOWA-ILLINOIS GAS & ELECTRIC Co.
By CHARLES H. WHITMORE, *President*.

EXHIBIT B

DEPARTMENT OF AGRICULTURE,
Washington, D.C., December 3, 1957.

Subject: Iowa 83 Cedar Rapids
Iowa-Illinois Gas & Electric Company v. Benson, et al.
(Your Reference: B-134138.)

HON. JOSEPH CAMPBELL,
Comptroller General of the United States,
General Accounting Office,
Washington, D.C.
(Attention: A.A. Peter, Acting Associate General Counsel).

DEAR MR. CAMPBELL: This is in response to your letter of October 28, 1957, requesting a report and comments on the matter presented for your consideration by a letter dated October 10, 1957, from Iowa-Illinois Gas & Electric Co. with reference to a Rural Electrification Administration loan to Central Iowa Power Cooperative.

The loan in question was approved by the Acting Administrator, REA, on September 9, 1955, in the amount of \$11,173,000 for the purpose of financing the construction by Central Iowa Power Cooperative (CIPCO) of certain electric generation and transmission facilities including one 44,000-kilowatt generating unit, 128 miles of 115-kilovolt transmission line, 176.5 miles of 34.5-kilovolt transmission line, and related substation and switching facilities, for the purpose of furnishing electric energy to CIPCO's eight REA-financed member cooperatives. This loan was made pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et seq.*), and in accordance with the administrative findings required (7 U.S.C. 904). Included in the 176.5 miles of 34.5-kilovolt transmission line were 20 miles designated the "Lehigh tap," the purpose of which was to enable CIPCO to furnish one of its member cooperatives, Greene County Rural Electric Cooperative ("Greene County"), a supply of power for a large power load in the vicinity of Lehigh, Iowa. The cost of this line was estimated at approximately \$120,000.

The relationship between CIPCO and Greene County (and between CIPCO and its seven other members) is one of contract between a wholesale power supplier and a distributor at retail. Under the CIPCO-Greene County contract, CIPCO is obligated to supply power at load centers determined by engineering studies made by Greene County. As above indicated, the Lehigh tap was designed to comply with CIPCO's contractual obligations in this regard.

In October 1955, Greene County, in accordance with its REA loan agreements, submitted for REA approval a contract for electric service between Greene County and Lehigh Sewer Pipe & Tile Co. ("Lehigh"). It appeared from the language of the contract that Lehigh was at that time receiving 25-cycle electric service from Fort Dodge, Des Moines & Southern Railway Co. In the absence of additional facts, the Greene County-Lehigh contract was returned without approval to Greene County.

In April 1956, Greene County and CIPCO again requested REA approval of a contract for electric service between Greene County and Lehigh. At that time facts were presented by the cooperatives showing that the proposed contract contemplated service not to the existing Lehigh plant nor to an extension of or addition to the existing plant, but to a completely new, separate and independent plant. As stated in the affidavit of Joe A. Bryant, vice president and general manager of Lehigh, which was filed in the U.S. District Court for the District of Columbia in connection with the litigation involving this loan, the company had considered four sites for the location of its new plant. Two important requirements for this type of plant are an adequate supply of the particular quality of clay required and an adequate supply of electricity at a price which will permit production within costs competitive in the industry. Mr. Bryant's affidavit further states that an adequate supply of clay was present in the Lehigh area and that Greene County was the only supplier of electrical energy in the area which could furnish the quality and quantity of service required at a price which would enable the company's plant to produce its products at a competitive price. Neither the Fort Dodge, Des Moines & Southern Railway Co. nor the town of Lehigh (the only other electric suppliers in the area) were in a position to meet the company's requirements. As Mr. Bryant also points out in his affidavit, Greene County was already serving the residence of the head kiln foreman of the company which was located on the same general

tract of land as the existing plant and had been serving this residence for approximately 4 years. With reference to the proposed new plant Mr. Bryant stated:

"That the new manufacturing plant, which will be served under the contract between the company and the Greene County Rural Electric Cooperative, is a totally new, separate, and independent facility of the company; that its operation will be completely independent and without any interchange of products, work, or material with existing facilities of the company; and that this new plant to be served by Greene County Rural Electric Cooperative will be as totally separate and apart from the existing facilities of the company in its operation as though it were constructed many miles distant from the presently existing and operating plant."

In June of 1956, the Greene County-Lehigh contract was approved by REA, after thorough consideration and investigation by REA of these and all relevant facts and circumstances. An administrative determination was made, pursuant to 7 U.S.C. 904, that Lehigh, at its new plant, was not receiving central station electric service. At the present time all REA loan funds required for the construction of the Lehigh tap have been advanced, the line is in operation, and is serving not only the company's plant but approximately 307 farm consumers of Greene County.

As indicated in the Iowa-Illinois Gas & Electric Co.'s letter, that company purchased the electric facilities of the Fort Dodge, Des Moines & Southern Railway Co. under a contract executed in March 1956. It has since disposed of certain of these facilities to other Iowa utilities and in fact some of the lines originally purchased by Iowa-Illinois are now owned and operated by Greene County.

Suit was filed by Iowa-Illinois on August 31, 1956, in the district court of the District of Columbia. Iowa-Illinois complaint sought a declaratory judgment that \$120,000 of the \$11,173,000 REA loan to CIPCO represented an illegal loan; a permanent injunction against the Secretary of Agriculture and the Administrator and Acting Administrator of the Rural Electrification Administration carrying out the provisions of the REA-CIPCO loan contract; and a preliminary injunction pending final hearing and determination. The district court, in an informal memorandum filed September 24, 1956, denied plaintiff's motion for preliminary injunction on the grounds that plaintiff lacked standing to sue (citing *Kansas Power & Light Co. v. McKay*, 96 U.S. App. D.C. 273, 255 F. 2d 924 (cert. den. 350 U.S. 884)). The U.S. Court of Appeals affirmed the order of the district court on February 28, 1957, and amended its opinion on March 12, 1957, affirming the order of the district court denying the preliminary injunction and remanding the case with directions to dismiss the complaint. From the order Iowa-Illinois has filed a petition for a writ of certiorari with the Supreme Court of the United States and a brief in opposition has been filed by the Solicitor General. No action has been taken by the Supreme Court as of this date on the petition.

Iowa-Illinois also filed suit in Iowa courts contesting, *inter alia*, the validity of the grant of a franchise to CIPCO by the Iowa State Commerce Commission for the construction of the Lehigh tap. This issue was contested before the Iowa State Commerce Commission and in the district court of the State of Iowa in and for Polk County. The case was appealed to the Supreme Court of Iowa, which appeal was subsequently dismissed of record and the findings, conclusions, and judgment entry of the district court represent a final determination of the rights of the parties. That judgment dismissed Iowa-Illinois petition with prejudice on the basis of the court's conclusion that Iowa-Illinois had not established any right or interest sufficient to file objections before the Iowa State Commerce Commission or to prosecute the action before the Iowa court. As indicated, however, the petition for a writ of certiorari to the U.S. Supreme Court is still pending.

The particular REA loan, a portion of which is questioned by Iowa-Illinois in this case, was approved under section 4 of the Rural Electrification Act. REA loan funds may be properly used under that section to finance the construction of electric facilities to furnish service to persons in rural areas not receiving central station service. Under the facts and circumstances relating to the use of REA funds for the construction of the Lehigh tap it seems that two questions were presented for administrative consideration:

1. Whether Lehigh Sewer Pipe & Tile Co. was, with respect to its new plant, a person in a rural area not receiving central station service.

2. Whether even though the company, with respect to the old and new plant, is considered a single consumer, that consumer was not receiving central station service at the time of the REA loan and the proposal to serve the plant.

The legal aspects of these questions were pointed out and discussed in an opinion, dated May 24, 1956, from E. F. Mynatt, assistant general counsel to Roy G. Zook, assistant administrator, REA. A copy of this opinion is attached.

If we can be of further assistance to you in any way in connection with this matter, please do not hesitate to call on us.

Sincerely,

TRUE D. MORSE,
Under Secretary.

Enclosure.

MAY 24, 1956.

To: Roy G. Zook, Assistant Administrator, Electric Rural Electrification Administration.

From: Assistant General Counsel.

Subject: Iowa 43 Greene.

The attached memorandum, dated May 22, 1956, from Mr. Scoltook, presents a question, having certain novel aspects, with regard to the legality of the use of REA loan funds.

The question of service by Greene County Rural Electric Cooperative to the town of Lehigh, referred to on page 2 of Mr. Scoltook's memorandum, has not been presented to this office, and therefore is not considered in this memorandum.

Under section 4 of the Rural Electrification Act, REA loan funds may properly be used to finance the construction of electric facilities to furnish service to persons in rural areas not receiving central station service. One question for consideration, therefore, is whether the Lehigh Sewer Pipe & Tile Co. is, with respect to the new plant, a person in a rural area not receiving central station service.

In your administrative consideration of whether the new plant may be considered a separate consumer, there would appear to be no precise formula, mathematical or other, which would permit or facilitate a categorical determination. Identity of ownership cannot be the sole test, for if it were a man with an electrified general store at the crossroads and a farm in the foothills might be denied service at the farm. Nor can proximity alone provide the yardstick, for adjoining property owners may certainly be considered separate consumers, without regard to the distance between their dwellings or place of business.

Identity of ownership and proximity, it would seem, might in some instances, be sufficient to create a presumption that the consumer should be considered one entity, but where this question has been presented to the courts (in connection with disputed minimum water bills for "each consumer"), each householder or family unit occupying a separate house has been held to be a separate consumer, even though all the houses and the single parcel of land involved were owned by the same person.

Womaek v. Peoples Water Service Co. (61 So. (2d) 785 (Miss., 1953)); *Thompson v. City of Goldsboro* (65 S.E. 901 (N.C., 1909)). Similarly, in *United States v. American Water Works Co.* (37 Fed. 747 (1889)), the court held that the United States, as owner of the Fort Omaha Reservation, was not entitled to be supplied water as a single consumer where the reservation contained officers' dwellings, hospitals, warehouses and barracks.

These cases suggest, perhaps, that a third factor may be added to identity of ownership and proximity—that of separate, distinct unitary operation. The householder, the family unit, the character of the building, and the use to which it is put are all concepts reflecting a separate and distinct operating entity. There is, in fact, an example of the separate entity factor already in existence in the Lehigh case. As indicated in Mr. Scoltook's memorandum, Greene County is now serving the residence of the kiln foreman, which is owned by the company and located on company property adjacent to the old plant.

The Lehigh Sewer Pipe & Tile Co. owns the single parcel of land on which both of its plants are located. The plant buildings are not widely separated, and presumably, will be put to the same general use. We are advised, however, that each plant will use a different process, and that each plant will operate independently of the other. It appears, in fact, that there are two plants, rather than one plant with two buildings, and that their geographical proximity results

merely from the exercise of sound business judgment, based on an extensive survey of sources of raw materials and availability of electric power rather than from reasons of operational necessity or desirability of location adjacent to each other.

A second question for consideration is whether, even though the company, as respects both the old and new plant, is considered a single consumer, that consumer, in the light of the facts existing at the time of the loan and proposal to serve it were made, was not receiving central station service.

As indicated in Mr. Scoltook's memorandum, the bulk of the funds necessary for service to the plant were provided in the "KF" loan to Cipro approved September 9, 1955. Subsequent to the approval of this loan (on October 4, 1955) the company and Greene County executed their contract. Although no legal evidence has been submitted to us indicating that this contractual action was taken in reliance on the Cipro loan, reason would compel the assumption that absent the loan, a contract for electric service, impossible to perform, would not have been entered into by the parties, nor would the company in reliance on the contract have placed orders for 60-cycle equipment.

It is clear that the company required a commitment for 60-cycle service at that time for its proposed new plant. Its then supplier of 25 cycle energy appeared to be primarily interested in selling its electric facilities, rather than assuming new public utility responsibilities. Indeed, there is no indication in the record presented to us of the Fort Dodge Railway's ability, even assuming its willingness, to furnish 60-cycle service to the company. Its electric facilities were designed, we are informed, to supply power for its own railway operations. It also supplied, at wholesale, the town of Lehigh with 25-cycle service which the town converted to 60 cycles. The town had stated its inability to furnish 60-cycle service to the company.

This case, then, would appear to be somewhat analogous to those in which REA has been asked to finance acquisitions already consummated with borrowers general funds. Also having points of similarity are the "spite line" cases, in which another power supplier had constructed facilities in an area between the time of REA loan approval and actual construction by an REA borrower.

In both of these situations, and, in our opinion, in the present case, a determination of the propriety of the use of loan funds may properly be related back to the time at which, acting in good faith, decisive action was taken by REA and its borrower.

The usefulness of 25-cycle service, we are informed, is somewhat limited. The decision of the company to operate its new plant on the standard frequency 60-cycle service certainly cannot be said to be arbitrary or capricious. Where a particular consumer's bona fide requirement for standard frequency service is not being met and apparently cannot be met by its existing supplier, an administrative finding that consumer is not receiving adequate central station service would be legally supportable.

We are advised that Iowa-Illinois Gas & Electric Co. has contracted for the purchase of the Fort Dodge Railway's electric facilities, and has expressed its willingness to provide the new plant's requirements at 60 cycle. As of this date, then, and on the assumption that the purchase contract will be consummated, it would appear that adequate central station service may now be available (even if not being furnished) to the new plant. The legality of an REA loan is not determined by the existence of another source of electricity. As we pointed out in Opinion of Solicitor No. 5564 (June 5, 1953):

"* * * The apparent readiness of Community Public Service Co. to render service to the project, however, would seem to involve the application of administrative policy considerations, rather than legal interpretation. It seems clear that the 'central station service' provision in section 4 of the REA Act ordinarily effectively prohibits the financing of distribution facilities for persons previously served by other suppliers. Since the Act permits the financing of facilities for 'persons * * * not receiving central station service', however, the fact that such unserved persons may have access to an alternative source of power would not seem to represent a legal obstacle to a proposed REA loan."

An administration decision, on either of the bases delineated herein, to approve the power contract and to release loan funds for construction of the transmission line and substation, would be legally unobjectionable.

Attachment.

E. F. MYNATT.

EXHIBIT C

DAVENPORT, IOWA, *March 3, 1958.*

COMPTROLLER GENERAL OF THE UNITED STATES,
General Accounting Office,
Washington, D.C.

DEAR SIR: By letter dated October 10, 1957, this company brought to your attention a certain Rural Electrification Administration loan believed to be an expenditure and contract made by a Federal establishment in violation of law and which relates to the receipt, disbursement, and application of public funds. Such loan was to finance construction of a transmission line to enable a distribution cooperative to serve one of this company's customers, Lehigh Sewer Pipe & Tile Co. We respectfully requested you to investigate the matter and to take appropriate action in accordance with your powers and duties under the law.

We understand that in considering the matter you requested the Department of Agriculture to report and comment on our aforementioned letter and that by letter to you dated December 3, 1957, from Under Secretary True D. Morse and an attached opinion dated May 24, 1956, from E. F. Mynatt, Assistant General Counsel, to Roy G. Zook, Assistant Administrator of the Rural Electrification Administration (hereinafter for convenience referred to as the opinion), the position of the Department in this matter was set forth.

We believe it will be of assistance to you in further considering what action should be taken with respect to the assertedly illegal expenditure and contract to have our comments on several of the propositions advanced in the aforementioned letter from Under Secretary Morse and the opinion.

No issue is made by the Under Secretary or the opinion as to much of the law stated in our letter of October 10, 1957. It is acknowledged that a loan by the REA to finance the construction of electrical facilities for persons already receiving central station service would be outside the authority of the REA. Indeed the loan in question was at first rejected by the REA for that very reason. It is not disputed that the purpose of the proscription of loans which would provide electrical facilities to persons in rural areas already receiving central station service, as stated in opinion No. 4506 of the Solicitor of the Department of Agriculture (extensively quoted on pages 9 through 11 of our original letter) was "to prevent loans that would create federally financed competition with existing utility enterprises." The opinion points out that there is "no precise formula, mathematical or other, which would permit or facilitate a categorical determination" in the "administrative consideration of whether the new plant may be considered a separate consumer." In the light of the above-mentioned patently correct admissions by the Department of Agriculture and the statement just quoted from the opinion, it is understandable why the opinion had to resort to tortuous and thinly stretched reasoning in an endeavor to support the conclusion it states that the loan in question "would be legally unobjectionable."

To support that conclusion the opinion relies on two unsupportable propositions:

(1) Lehigh Pipe, although at the time of the loan receiving central station service from this company, is a divisible person, and with respect to the addition to its plant facilities to be built less than 30 yards from its original facilities was "a person in a rural area not receiving central station service"; and

(2) Even if the additional plant facilities could not be justified as a separate person not receiving central station service, the type of central station service which Lehigh Pipe was receiving at the time of the loan was not the type of central station service desired for the additional plant facilities and for that reason Lehigh Pipe was "a person in a rural area not receiving central station service."

In discussing the first proposition the opinion states that neither common ownership nor proximity alone can be the test of whether Lehigh Pipe's additional plant facilities constitute a separate unserved customer. The opinion then recognizes that identity of ownership and proximity "might in some instances, be sufficient to create a presumption that the customer should be considered one entity." At that point instead of concluding, as we submit law and commonsense should have compelled, that Lehigh Pipe's original and proposed additional facilities were "one entity," the opinion goes on to cite three wholly inapposite water rate cases which it contends remove the Lehigh Pipe situation from the usual presumption that common ownership and proximity produce a single entity. A brief discussion of the three cases cited in the opinion will demonstrate their lack of support for the proposition sought to be

established—namely, that by constructing a new building an industrial customer of an established utility company can get the benefit of federally financed power.

The first case, *United States v. American Water-Works Co.*, 37 Fed. 747 (1889), concerned the interpretation of the water-rates ordinance of the city of Omaha, Nebr. That ordinance clearly set forth separate rates for various types of buildings and enterprises. When Fort Omaha, owned by the United States, was included within the Omaha city limits, the United States sought to abolish its old contractual water supply rates with the city and instead be treated as one customer for all the buildings contained in the very extensive fort. When the city refused this request and shut off the fort's water supply, the United States brought a bill to compel the city to furnish it water according to single customer rates. The bill was dismissed by the Court which held that the ordinance clearly provided "the water company a right to treat each building separately."

In the second case, *Thompson v. City of Goldsboro*, 65 S.E. 901 (N.C., 1909), the owner of three adjoining tenement houses contended that under the applicable city ordinance he should pay a monthly minimum of 60 cents for water service as one consumer instead of 60 cents for each tenement house, a total of \$1.80. As to that the Court stated, "The regulations (of the Board of Public Works) * * * clearly contemplate that each householder using the water and occupying a separate house, either as tenant or owner, shall be considered a consumer and, as such, liable to the minimum charge of 60 cents."

In *Womack v. Peoples Water Service Co.*, 61 So. (2) 785, (Miss., 1953), the plaintiff had arranged for water service at a time when a particular number of houses were on his property. When he increased the number of houses, the water company increased its water rate. The plaintiff refused to pay, the company shut off his water, and the plaintiff sued. His suit was dismissed on the ground that no "bona fide dispute" existed. "The maximum rates which the water company was authorized to charge consumers," said the court, "had been fixed by the ordinance of the mayor and the board of aldermen, and that ordinance expressly provided that a minimum charge of \$1.50 per month might be made to each consumer irrespective of the amount of water actually consumed. The words 'each consumer' meant each householder or family unit."

It is a bold contention that the Rural Electrification Act should be interpreted in accordance with the water ordinances of Omaha, Nebr., Goldsboro, N.C., and Booneville, Miss., even if those ordinances were analagous to that act on the point at issue. But no such analogy exists. In each of those cases the courts relied heavily on the terms of the individual water rate ordinances, pointing out that the clearly stated purpose of each was to treat each building or house as a separate unit. No such purpose express or implied can be found in the Rural Electrification Act, which refers to persons rather than to buildings. The construction urged in the opinion leads to the ridiculous conclusion that when Congress used the term "persons in rural areas not receiving central station service" it intended to say "buildings in rural areas not receiving central station service." Such confusion in terminology is not lightly to be imputed to the Congress. Moreover in view of the statement quoted at page 10 of our letter of October 10, 1957, by a solicitor of the Department of Agriculture that the purpose of Congress in enacting the central station service limitation was "to prevent loans that would create federally financed competition with existing utility enterprises," it does not make sense to contend that such purpose can be defeated merely by calling a new building a new and unserved person.

It should also be pointed out that, although an officer of Lehigh Pipe has stated in an affidavit that the building would be a "totally new, separate, and independent facility of the company," many facilities are being used in common with the operation of the original building. The same executive offices, sales offices, clay-removal and clay-transportation facilities, carpenter and machine shops are used in connection with the operations of both buildings. Therefore, it cannot accurately be stated that the additional facilities are an entirely separate and independent unit. Moreover, although the Under Secretary and the opinion of counsel have stated that the loan in question was made to finance facilities "not to the existing Lehigh plant * * * but to a completely new, separate, and independent plant," the fact is that shortly after Lehigh Pipe began to receive its REA-financed power through Greene County Co-op from CIPCO for its new building, Lehigh Pipe as to its original building did not accept a modification to 60-cycle service offered by the undersigned, but instead terminated its service from the undersigned in favor of the REA-financed service. Indeed a single metering station now meters all the power going to the new and old buildings

of Lehigh Pipe. Thus both Lehigh's new and old facilities are being treated as a single customer by Greene County Co-op, which has a published rule forbidding the combining of two or more customers on a single meter. It would be hard to conceive of a situation constituting a more cynical evasion of the intended congressional limitation on the REA's lending powers.

The second proposition advanced by the Department of Agriculture in attempting to justify the loan in question is that even if the original and additional facilities of the Lehigh Pipe constituted a single person for the purpose of the central station service limitation of the Rural Electrification Act, since Lehigh Pipe was receiving 25-cycle service at its original facilities and desired and needed 60-cycle service for its proposed additional facilities, it was not receiving central station service at its original facilities.

This is a somewhat confused argument. No contention is made, and the Rural Electrification Act does not support one, that 25-cycle service is not central station service. The opinion states at page 3:

"It is clear that the company required a commitment for 60-cycle service at that time for its proposed new plant. Its then supplier of 25-cycle energy appeared to be primarily interested in selling its electrical facilities, rather than assuming new public utility responsibility. Indeed, there is no indication in the record presented to us of the Fort Dodge Railway's ability, even assuming its willingness, to furnish 60-cycle service to the company."

This shows a lack of appreciation of the facts. The railway when it owned the system, made an offer prior to approval of the loan here in question to adjust its service to Lehigh Pipe so as to provide 60-cycle power for the additional facilities while continuing 25-cycle service to the original facilities as their machinery required; and agreed to have such 60-cycle power available by the time such additional facilities were completed or as soon as such power was required. An alternative proposal for such adjusted service was made by the railway prior to Lehigh Pipe's execution of its 20-year power contract with Greene County Co-op on November 25, 1955.

What Lehigh Pipe ultimately desired was apparently an adjustment or modification of the type of central station service with which Lehigh Pipe's original facilities were served. Proposals for that modification are acknowledged to have been made, in an affidavit by Mr. Joe A. Bryant, vice president and general manager of Lehigh Pipe, to which Under Secretary Morse refers on page 2 of his letter. In that affidavit Mr. Bryant states "that the Fort Dodge, Des Moines & Southern Railway Co. proposed the furnishing of such (60 cycle) electrical service, but because of the necessity of substantial additional investment in facilities, quoted a rate for such electrical service as would have prevented the company from producing its products at a price which would be competitive in this highly competitive industry."

It thus appears that prior to the approval of the loan in question Lehigh Pipe was receiving central station service from our predecessor in interest, the railway. When Lehigh Pipe indicated that it wished its additional facilities to be furnished 60-cycle power, the railway and subsequently this company made several proposals to change the form of service which Lehigh Pipe was then receiving to 60-cycle service for the new building and this company offered 60-cycle service to all Lehigh's facilities.

The Rural Electrification Act, in prohibiting loans for the furnishing of electric energy for persons in rural areas who are receiving central station service does not afford any basis for the REA classifying as central station service only that service which it considers to be at a rate which will be advantageous for the prospective needs of users. But that is the practical effect of the conclusion which the REA seeks to achieve on the basis of the opinion. It is thus apparent that this company not having the benefit of 2-percent money could not match the price offered by the REA-subsidized CIPCO and Greene County Co-op. As a purely commercial proposition, Lehigh Pipe Selected REA-financed power and propped its old supplier. It is just this sort of competition that the central station service limitation was designed to avoid.

We do not believe that the Rural Electrification Act provides the Administrator discretion to approve a loan which has as its sole purpose the financing of construction of a transmission line to serve an industrial consumer which is already receiving central station service from an established utility company. If it could, however, be successfully maintained that any discretion exists in that regard, we believe the approval of the loan here sought to be challenged would constitute a clear and gross abuse of such discretion. For the reasons stated

herein and in our letter of October 10, 1957, we urge that the action requested in that letter be taken.

Respectfully submitted.

IOWA-ILLINOIS GAS & ELECTRIC Co.,
By CHARLES H. WHITMORE, *President*.

EXHIBIT D

WILMER & BROWN,
Washington, D.C., March 26, 1958.

THE COMPTROLLER GENERAL OF THE UNITED STATES,
The General Accounting Office, Washington, D.C.

IOWA-ILLINOIS GAS & ELECTRIC CO.

DEAR SIR: This letter refers to letters dated October 10, 1957, and March 3, 1958, from the above-named company to you calling to your attention a certain Rural Electrification Administration loan believed to be an unlawful expenditure and contract by a Federal establishment. Certain additional information is supplied by this letter so that the factual picture on this matter will be as complete as possible.

In the opinion dated May 24, 1956, from E. F. Mynatt, Assistant General Counsel, to Roy G. Zook, Assistant Administrator, Rural Electrification Administration, a copy of which opinion was sent to you with the letter of December 3, 1957, from Under Secretary True D. Morse, commenting on the Iowa-Illinois letter of October 10, 1957, it was stated at page 3:

"It is clear that the company (Lehigh Sewer Pipe & Tile Co.) required a commitment for 60-cycle service at that time (September 1955) for its proposed new plant. Its then supplier of 25-cycle energy appeared to be primarily interested in selling its electric facilities, rather than assuming new public utility responsibilities. Indeed, there is no indication in the record presented to us of the Fort Dodge Railway's ability, even assuming its willingness, to furnish 60-cycle service to the company."

As pointed out in the Iowa-Illinois letter of March 3, 1958, that statement shows a lack of appreciation of the facts. We submit herewith a copy of a letter dated May 19, 1955, from the Fort Dodge, Des Moines & Southern Railway Co. to Lehigh Sewer Pipe & Tile Co. which contains two alternate proposals for furnishing 60-cycle service to the addition to the Lehigh Pipe facilities.

We understand that neither of the alternate proposals contained in that letter was accepted by Lehigh Pipe, but that further negotiations were held between the railway and Lehigh Pipe which culminated in an additional offer in the form of a letter from the railway to Lehigh Pipe dated October 4, 1955, referring to a discussion of September 28, 1955. A copy of the October 4, 1955, letter is also enclosed herewith. We submit that those letters demonstrate the willingness and readiness of the railway from at least May 1955 on to serve the additional 60-cycle needs of Lehigh Pipe, which as has been pointed out, was at all times pertinent receiving central station service at its original facilities from the railway.

In the letter dated December 3, 1957, to you from Under Secretary Morse, reference is made to an affidavit of Joe A. Bryant, vice president and general manager of Lehigh Pipe, to the effect that Greene County Co-op was the only supplier of electrical energy in the area which could furnish the quality and quantity of service required at a price which would enable Lehigh Pipe's plant to produce its products at a competitive price. Although the Rural Electrification Act does not refer to the rate at which central station service is available, we recognize that it might be argued that the physical availability of such service at a prohibitively high rate could be regarded as equivalent to non-availability of such service. In order to demonstrate that the offers by the railway of May 19 and October 4, 1955, were not prohibitively high but were in fact entirely reasonable, we think it desirable briefly to discuss those offers and other relevant facts.

During 1954, Lehigh Pipe purchased 424,404 kilowatt-hours from the railway for \$8,828.24, which figures at a rate of 2.07 cents per kilowatt-hour. Plan No. 1 as contained in the letter of May 19, 1955, as set forth on page 4 of that letter on the basis of an estimated monthly demand of 223,900 kilowatts and a total monthly charge of \$4,946.80, breaks down to a rate of 2.2 cents per kilowatt-hour.

Under plan No. 2 (bottom of p. 4 of letter of May 19, 1955) the rate figures to 1.87 cents per kilowatt-hour. Plan No. 2, however, involved the purchase by Lehigh Pipe of frequency changers. Although the offer of October 4, 1955, was at a lower rate, for the purposes of considering the reasonableness and timeliness of the rate offered by the railway, we need consider only the highest of the rates offered, 2.2 cents per kilowatt-hour. The Iowa-Illinois engineers have advised us that the rate at which Greene County Co-op is serving Lehigh Pipe's electrical requirements is in all probability 2.02 cents per kilowatt-hour. We believe that that rate can be further substantiated if necessary.

Therefore, the difference between what Lehigh Pipe is on information and belief paying to the co-op for its electrical requirements and what it would have had to pay the railway under plan No. 1 of its offer of May 19, 1955, amounts to \$4,500 per year. In an affidavit filed by the same Joe Bryant of Lehigh Pipe in a proceeding before the Iowa State Commerce Commission, it is stated "* * * the profit from normal operation of the new plant for a year's period would exceed \$500,000 * * *." Obviously, a \$4,500 reduction in an annual profit of half a million dollars would not render a business operation noncompetitive. In fact, it is a rate difference which might be expected where a co-op has the benefit of 2 percent REA money and a power company does not.

If we can furnish any additional material which may be of assistance to you in considering this matter, please call upon us.

Respectfully submitted.

WILMER & BROWN,
By E. FONTAINE BROWN,
HENRY T. RATHBUN.

Attorneys for Iowa-Illinois Gas & Electric Co.

MAY 19, 1955.

LEHIGH SEWER PIPE & TILE CO,
Fort Dodge, Iowa.

(Attention: Joe A. Bryant, vice president and general manager.)

DEAR SIR: 1. This letter reduces to writing the discussion held in your office on May 10, 1955, on the two plans for bringing 60-cycle power to the Lehigh Sewer Pipe & Tile Co.'s plant south of Lehigh, Iowa.

2. Plan No. 1 involves the construction of about 14 miles of new line, from our Fort Dodge substation to the plant, and install another substation at your plant.

Estimated cost of line, 33,000 volt, material and labor-----	\$70,000
Substation 1,000 kv.-a., 33,000 primary to 440 secondary, 3-phase, material and labor-----	16,700
Metering-----	700
Contingencies-----	10,000
Total estimated cost-----	97,400

3. Plan No. 2 is predicated on utilizing the present 22,000-volt 3-phase, 25-cycle line starting at our Fort Dodge substation and extending to your Lehigh plant. There is now only one other establishment served from this line, besides your plant; i.e., the Cardiff Mill just east of our Fort Dodge substation. This line is No. 6 copper about 14 miles long and will deliver about 1,340 kv.-a., which at 80 percent power factor would be 1,000 kilowatts.

4. Based on Mr. Benberg's letter the peak load which will have to be provided for is:

Total horsepower connected (new plant)-----	1,166.9
Total kilowatts connected 76 per cent (new plant)-----	886.8
Allow for diversity 80 percent (new plant)-----kilowatts--	700.0
Estimated load for complete electrification of old plant-----do--	240.0
Total possible peak load-----do--	940.0

5. It will, therefore, be noted that the capacity of the present line is just slightly over the estimated possible peak load as it is known at this time. Changing the present conductor from No. 6 to No. 4 wire, which is the next size larger, would increase the capacity to 2,150 kilovolt-amperes or 1,720 kilowatts at 80 percent power factor which would be ample and provide for future load. We have therefore included in the estimate an item for recoppering the present line

in plan 2 which is only to be done in case actual experience with you new plant and electrification of the old plant results in voltage difficulties and unsatisfactory service.

6. Plan 2:

Recoppering (No. 6 to No. 4) 14 miles of present 22,000-volt line, strengthening, etc.....	\$20,000
Substation 1,000 kilovolt-amperes, 22,000 volts to 2,300 volts or 440 volts depending on voltage of frequency changers available.....	17,000
Frequency changers (two) 500 kilovolt-amperes each, 2,300- or 440-volt motors, 480-volt generators, installed. Note the location of substation and frequency changers near the heaviest load will have an important bearing on the size of your cable runs to the larger motors.....	20,000
Metering.....	700

Total estimate Plan 2..... 57,700

We have started inquiries to locate and obtain prices of frequency changers that are for sale, however, we will want your company to own and operate them.

7. The Fort Dodge, Des Moines & Southern Railway will require a service charge of 15 percent per year on all new capital investments which it will be required to make to provide the service. This is arrived at by 2 percent for taxes, 2 percent for maintenance, 5 percent for depreciation, and 6 percent for interest, a total of 15 percent.

On plan 1, \$97,400: this would be \$14,610 per year or \$1,220 per month.

On plan 2, \$57,700: less frequency changers \$20,000 or \$37,000 this would be \$5,550 per year or \$463 per month.

We believe we have been reasonable in our estimates of the capital investments required. However, our actual costs will govern and if the actual costs are less than the estimates your company will of course benefit.

8. The estimated kilowatt-hours required per month are arrived at as follows:

New plant:	Kilowatt-hours
700-kilowatt load 8 hours per day at an average of 22 days per month.....	123,200
111-kilowatt load 16 hours per day per month.....	39,000
Estimated 6 percent of above for frequency changers.....	9,700
Total per month new plant.....	171,900

Old plant (after complete electrification):

240-kilowatt load 8 hours per day at an average of 22 days per month.....	42,000
30-kilowatt load 16 hours per day per month.....	10,000
Total per month old plant.....	52,000

Total estimated kilowatt-hours per month for the new and old plant..... 223,900

9. The energy rate for the above per month will be:

	Cents per kilowatt-hour
First 5,000 kilowatt-hours.....	3.0
Next 5,000 kilowatt-hours.....	2.0
Next 40,000 kilowatt-hours.....	1.8
Next 50,000 kilowatt-hours.....	1.7
Next 100,000 kilowatt-hours.....	1.5
Over 200,000 kilowatt-hours.....	1.2

The fuel clause will be as follows:

"The above rate is based upon an average fuel cost of 25 cents per million B.t.u. for gas and for coal delivered to the site of the powerplant at Fraser, Iowa. For each whole cent, and fraction thereof, increase or decrease in said average fuel cost, of fuel purchased during the calendar month of the billing period, there shall be added to (or subtracted from) the bill an amount equal to \$0.0002 per kilowatt-hour."

Minimum monthly bill will be 75 percent of the highest 15-minute demand but no less than 75 percent of the highest established in previous 11 months at the rate of \$2 per kilowatt per month.

10. During the past 12 months the actual fuel costs at Fraser and emergency power connections were as follows:

	<i>Cents</i>		<i>Cents</i>
May 1954-----	26.1	November 1954-----	26.1
June 1954-----	26.3	December 1954-----	29.3
July 1954-----	26.3	January 1955-----	30.9
August 1954-----	26.3	February 1955-----	30.9
September 1954-----	26.3	March 1955-----	30.1
October 1954-----	26.1	April 1955-----	27.5

To apply the above formula to January or February 1955 fuel costs of 30.9 cents, which are highest months, the fuel cost per kilowatt hours would be 0.118 cent, i.e., 30.9 cents less 25 cents equals 5.9 cents times \$0.0002 equals \$0.00118 or 0.118 cent.

Based on 223,900 kilowatt-hours per month this would total \$264.20 for the highest month. The lowest month would be \$49.26. The 12 months average would be \$111.95 per month.

11. During the year 1954 your company purchased 424,404 kilowatt-hours at \$8,828.24. Under the above rate we would combine both the present and the new meter readings for billing purposes.

12. We will require that the average power factor of your load be not lower than 85 percent. A power factor lower than this will be a continuous expense to you as well as to us since a poor power factor increases the amperes flowing in your wiring and the frequency changers and our transformers and lines without producing any useful or useable power. This increased amperage is lost in the form of heat as explained to you at the meeting. The best method of correcting power factor is at the motors themselves in the form of condensers which are only in operation when the motors are in operation.

13. Since the service will be 440 it is recommended that your design engineer include such dry type transformers rated 440—115/230 for location at such points in the plant as are desirable for lighting, electric handtools, shop, etc.

14. Typical monthly bill computed on the above rate would be:

223,900 kilowatt-hours: 5,000 kilowatt-hours at 3 cents-----	\$150. 00
218,900 kilowatt-hours: 5,000 kilowatt-hours at 2 cents-----	100. 00
213,900 kilowatt-hours: 40,000 kilowatt-hours at 1.8 cents-----	720. 00
173,900 kilowatt-hours: 50,000 kilowatt-hours at 1.7 cents-----	850. 00
123,900 kilowatt-hours:	
100,000 kilowatt-hours at 1.5 cents-----	1, 500. 00
23,900 kilowatt-hours at 1.2 cents-----	286. 80
Total, 223,900-----	3, 606. 80
Fuel cost (average)-----	120. 00
Subtotal-----	3, 726. 00
Service charge plan 1-----	1, 220. 00
Total monthly charge plan 1-----	4, 946. 80

15. Under plan 2 of the typical bill would be:

Subtotal from paragraph above-----	\$3, 726. 80
Service charge plan 2-----	463. 00
Total monthly charge plan 2-----	4, 189. 80

16. Since the above is calculated on the total electrification at your plant the amount which you now pay our company, which averaged \$730 per month and the savings on your present steam operations should be taken into account in considering either of the above plans.

17. We wish to point out at this time that during the past 2 years we have been engaged in an extensive pole replacement program on the present transmission from the Fort Dodge substation to your plant. There are now only 50 poles or less than 2 miles yet to be changed out which will be done as soon as we know your decision on which plan is to be followed.

18. The above discussion will give you a fairly close idea of what the power costs will be and will be reduced to a formal contract setting forth in detail the contractual obligations of both parties. The term of contract will be for 5 years.

Very truly yours,

L. W. LAUGHLIN,
Chief Electrical Engineer, Fort Dodge, Des Moines, & Southern Railway.

OCTOBER 4, 1955.

LEHIGH SEWER PIPE & TILE CO.,
Fort Dodge, Iowa.

(Attention: Joe A. Bryant, Vice President and General Manager.)

DEAR SIR: 1. This proposal confirms our discussion in your office on September 28, 1955, relative to 60-cycle power supply to your proposed new plant south of Lehigh, Iowa.

2. Since our letter of May 19, 1955, as explained, our situation and planning has changed considerably and in the following respects:

(a) Our railroad was completely dieselized on August 1, 1955, which has released powerplant capacity for new loads.

(b) Also considerable good line and substation material is also thereby released for use at other points on the system.

(c) The present 22,000-volt, 60-cycle line between Fraser plant and our Fort Dodge substation is to be raised to 33,000 volts thereby increasing the capacity of this line by 30 percent (125 percent in terms of voltage drop). This line will have an interchange connection with another utility at each end with the Fraser plant in between. The new 60-cycle supply to your plant will tap this line just west of Lehigh.

(d) The present 22,000-volt 25-cycle line between Fraser and Fort Dodge is to be raised to 44,000 volts which will then provide two 44,000 volt circuits with selective relaying. Either line will have sufficient capacity to carry the Fort Dodge load with the other circuit out of service for regular scheduled maintenance and repairs when required.

(e) The large frequency changer and the two small frequency changers will be left in place at Fort Dodge, which will provide ample 25- or 60-cycle power as future circumstances require.

As a result of the above the Fort Dodge, Des Moines & Southern will finance the service to your plant, including the substation and deliver 3 phase, 480 volts, 60 cycle power to you.

3. The present 25 cycle power and the new 60 cycle power to your plant will be totalled and billed as one account as outlined in our proposal of May 19, 1955.

4. The monthly power bill will be computed on the following rate: 5,000 kilowatt-hours at 3 cents, 5,000 kilowatt-hours at 2 cents, 40,000 kilowatt-hours at 1.8 cents, 50,000 kilowatt-hours at 1.7 cents, 100,000 kilowatt-hours at 1.5 cents, 100,000 kilowatt-hours at 1.2 cents, 1,000,000 kilowatt-hours at 1.02 cents, over 1,300,000 kilowatt-hours at 0.95 cent.

5. The fuel clause will be the same as set forth in our letter of May 19, 1955.

6. Likewise the monthly minimum will be the same i.e. 75 percent of the highest 15 minute demand for the previous 12 months which based on an estimated total combined 25- and 60-cycle load, of 900 kilowatts would be 675 kilowatts at \$2 or \$1,350 per month.

7. The term of contract will be the same as before; i.e., 5 years.

8. We will have sufficient 60-cycle power available to you by July 1, 1956, which is your present target date, or earlier if needed.

9. We ask that the power factor of your load be held as close to 85 percent as possible but not lower than 82 percent. This will benefit you in reduced losses on your side of the meter as well as losses on our system.

10. An adjustment of rates can be negotiated to reduce costs somewhat if operations would be reduced in time of lower business conditions.

11. The above I believe covers the salient points of our discussion but if not, please let me know. Also if you desire further information on the above please do not hesitate to contact me.

Thanking you for your courtesy in this matter, I am

Very truly yours,

L. W. LAUGHLIN,
Chief Electrical Engineer, Fort Dodge, Des Moines & Southern Railway.

EXHIBIT E

DAVENPORT, IOWA, *September 19, 1958.*

The COMPTROLLER GENERAL OF THE UNITED STATES,
The General Accounting Office, Washington, D.C.

DEAR SIR: AS the company which called to your attention as an expenditure and contract in violation of law the portion of an REA loan for construction of a transmission line to serve an addition to the plant facilities of Lehigh Sewer Pipe & Tile Co., we have been disturbed at the irresponsible allegations, some of which have been printed in the Congressional Record, relating to your decision of July 21, 1958 (B-134138). In addition to claims that your decision distorts the legislative history of the central-station service limitation, there have been suggestions that improper influence has been exercised on you. As to your having based your judgment on influence rather than law, the record in this matter completely refutes any such insinuation and clearly shows that the matter has been presented to you entirely on the merits.

We believe there is similarly no warrant for the accusation that your decision quotes mere fragments of the legislative history out of context to convey an erroneous impression of the legislative intent of the central-station service limitation. In that regard, we refer to a letter to you from Acting Secretary True D. Morse dated August 7, 1958, as such letter is set forth at pages 15676-80 of the Congressional Record for August 12, 1958. You are obviously thoroughly familiar with the legislative history of the Rural Electrification Act. We will accordingly make our comments on the subject brief.

We think the Morse letter refers in large measure to a situation which was not before you in your decision of July 21, 1958. We do not contend, nor do we get any such impression from your decision, that the mere fact that a power company is authorized to serve a given area precludes a loan to a co-op to serve such area. Here not only was the area being actually served by the power company, but the very customer who was the beneficiary of the challenged loan was being served. Your decision clearly speaks in terms of an area *actually being served* by a power company as opposed to an area which a power company is legally authorized to serve or which it had indicated a willingness to serve. We think that is a very real distinction which has been overlooked in large part in the Morse letter. During the 1930's, when there were large unserved areas, the issue now under consideration was quite theoretical, since the REA loans were for construction in areas not otherwise served, and the loans then made were not for duplicating transmission and distribution facilities. We therefore respectfully disagree with Acting Secretary Morse's view that your decision would in effect have made the rural electrification program of the past 22 years impossible.

In your decision you quoted portions of the debate relating to the central-station service limitation of the Rural Electrification Act. The Morse letter quotes additional portions of such debate. It should be noted that, as might be expected, the entire debate contains answers which are not entirely responsive to questions and also contains numerous instances of apparently inconsistent statements by individual Senators. Obviously, congressional intent is to be determined from the totality of the legislative history and not from single statements made during the course of debate. We believe the legislative history considered as a whole compels the conclusion in your decision that the purpose of the central-station service limitation was to exclude loans for the paralleling of existing facilities by prohibiting the use of loan funds for construction of transmission lines and substations to furnish power to an area already served by private power companies. It is clearly pointed out in your decision that the language of the central-station service limitation as enacted into law was somewhat different from the section at the time of the debate of which reference had been made. We are sure you had in mind in quoting such debate the fact that Senator Norris considered the changed language to be one of a number of "more or less formal amendments" submitted by him (80 Cong. Rec., p. 2824). In addition, it should be noted there was no debate when the amendment was passed (80 Cong. Rec., p. 2827). We therefore do not think the change in language is "the paramount fact" in the legislative history as denominated by Acting Secretary Morse.

Admittedly, the act uses the word "person" and jurisdiction must first assure there is such a person. When such a person is so located as not to have a ready opportunity for service from a public utility, no problem exists. When such a

person is located in an area where public utility facilities sufficient for his needs are readily available, or if special facilities are offered by the public utility operating in the area to serve that person's needs, the person can no longer be deemed not to be receiving central-station service so as to justify an uneconomic loan which would duplicate expensive transmission and distribution facilities. That, we submit, is the only logical interpretation of the central-station service limitation. That the term "unserved person" cannot under the act be given its restricted literal meaning is acknowledged by Acting Secretary Morse where he states: "It is apparent that the mere fact that a person is receiving service at one premise does not preclude him from being considered an 'unserved person' at other premises." That admission of the need to consider the area in which the person is located cannot logically be limited, we submit, to situations involving identity of ownership. That also admits the need to resort to legislative history in order to derive congressional intent. It cannot be maintained that the wording of the statute is so clear there is no room for construction.

As stated in Opinion No. 4506 of the Solicitor of the Department of Agriculture, dated November 24, 1942, the legislative history indicates the central-station service limitation "was inserted because of a legislative intent to exclude loans for the purpose of paralleling existing systems and thus creating competition with established utilities." No matter how Acting Secretary Morse attempts to limit or explain away that language, we believe it is a fair summary of the legislative history.

Acting Secretary Morse's interpretation would lead to results obviously contrary to the spirit of the act, which would have disastrous effects on existing private power companies such as this company who are in good faith attempting to serve all the electric requirements of an area. A group of new homes or a single new home in a served community, in order to undercut the rates of the utility serving the community, could contract for power with a co-op which under the Morse theory would be entitled to get 2 percent Government funds to finance the new facilities of the co-op. This would put the co-op in position where by virtue of having the benefit of a 2 percent REA loan it could later pluck off the customers previously served by the private utility company. That, of course, is what occurred in the Iowa-Illinois situation, where, after the Lehigh tap was constructed with REA funds for the admitted sole purpose of serving the additional facilities of Lehigh Pipe (on the theory that such additional facilities constituted an unserved customer), Greene County Co-op entered into a contract to serve the original facilities of Lehigh Pipe and also the town of Lehigh, which were both customers of Iowa-Illinois.

The interpretation of Acting Secretary Morse would further permit a customer to terminate service with a public utility and thereafter to invite service by a co-op as a person not already served. It was just that sort of raiding that the central-station service limitation was designed to avoid.

We think the alternate ground of your decision that there appeared little basis in the record for considering the new plant of Lehigh Sewer Pipe & Tile Co. a person not receiving central-station service so as to authorize the making of a loan under section 4 of the Rural Electrification Act is correct beyond cavil. The reasoning in Acting Secretary Morse's letter if adopted would lead to the preposterous situation where a farmer who built a new milking parlor, silo, barn, or chickenhouse on his farm which was already being served could qualify as a beneficiary of an REA loan for the purpose of contracting a transmission line to serve the new use.

In that regard, you may be interested in the enclosed article and pictures which appeared in the Des Moines Sunday Register of September 14, 1958.

We doubt that this letter presents anything which was not thoroughly considered by you at the time of your decision. We would not submit it were it not for the totally unwarranted public criticisms of you, the misleading statements regarding the effect of your letter, and the very real damage which the rationale of the brief of the Department of Agriculture and that of the N.R.E.C.A. would impose on this and other public utilities operating within their service areas.

Respectfully submitted,

IOWA-ILLINOIS GAS & ELECTRIC Co.,
By (S) H. A. KLEINMAN, *Vice President*.

(NOTE.—The articles and pictures from the Des Moines Register referred to above are on file with the committee.)

Senator ELLENDER. I suppose we will have some opposition witnesses this afternoon to get their side of it. I hope that the committee will act soon on the matter and that its views will be tempered by the evidence you produced and evidence produced by the opponents.

Mr. WHITMORE. Thank you, sir.

Senator ELLENDER. We shall try to sift out the fact and do the right thing.

Mr. WHITMORE. Thank you, Senator.

Senator ELLENDER. The committee will stand in recess until 2 o'clock.

(Thereupon, at 1 p.m., the subcommittee recessed to reconvene at 2 p.m. of the same day.)

AFTERNOON SESSION

Senator HOLLAND (presiding). The subcommittee will please come to order.

Mr. Kenneth L. Scott, Director of the Agricultural Credit Service, Department of Agriculture, is our first witness.

Mr. SCOTT. Would you like for me, Mr. Chairman, to respond first to S. Res. 21?

Senator HOLLAND. I would like you to confine yourself first to S. Res. 21. You seem to have a statement here prepared with reference to both of them.

Mr. SCOTT. I will be glad to read that part first, that pertains to S. Res. 21.

Senator HOLLAND. All right. Then the reporter can pick that part out.

Mr. SCOTT. Yes, sir.

STATEMENT OF KENNETH L. SCOTT, DIRECTOR OF AGRICULTURAL CREDIT SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. SCOTT. Beginning on page 2 I have remarks about the S. Res. 21 which I would like to read first.

The Department is in accord with the views expressed in S. Res. 21.

As we stated in our letters of August 7 and October 29, 1958, to the Comptroller General, the Department believes that when the Congress authorized REA to make loans to bring the benefits of electricity to those persons who were not receiving electric service, it meant precisely what it said. The Rural Electrification Act of 1936 prescribed a simple test in clear language. If a person in a rural area was not, in fact, receiving electric service, REA loan funds could be used to bring service to him. For almost 23 years, REA has applied this test and the results speak for themselves; about 96 percent of the farms of America are now receiving central station service.

We in the Department have no doubt that the clear intent of the Congress has been carried out in the administration of REA. This has been plainly manifested in the continuous congressional support of the rural electrification program. We shall continue to carry out this intent by making REA loans to serve persons who are, in fact, not receiving central station service. However, in order that any doubt as to the congressional intent be removed from the mind of the Comptroller General or others, we support the adoption of Senate Resolution 21.

That, Mr. Chairman, is all I have in my prepared statement relating to Senate Resolution 21. Mr. Hamil, Administrator of REA, has a statement about this if you would care to hear him.

Senator HOLLAND. All right. Senator Young, do you have any questions?

Senator YOUNG of Ohio. I have no questions at this time.

Senator HOLLAND. The next witness is Mr. David A. Hamil, Administrator of the REA.

STATEMENT OF DAVID A. HAMIL, ADMINISTRATOR, RURAL ELECTRIFICATION ADMINISTRATION, U.S. DEPARTMENT OF AGRICULTURE

Mr. HAMIL. Mr. Chairman and members of the committee, this is the first occasion I have had to meet with this committee since I was before you in June 1956 in connection with confirmation of my appointment as Administrator of REA. The 32 months which have elapsed have been a time of busy and rewarding experience.

When I first came before you, my association with rural electrification was as a rancher who had helped to bring electric service into his own community and served as a director on the local electric cooperative for 5 years, and as a member of the Colorado General Assembly who had participated actively in legislative matters affecting the rural electric systems in his State.

The functions and responsibilities which I assumed as REA Administrator were new to me and different in many respects from any of my previous experiences. It was my first position in the executive branch of any government. Those of you who have served in both legislative and executive capacities will understand when I say there is quite a difference between making a law and administering it.

In giving you my views on the pending legislation which is under consideration here today, it is appropriate that I render an account of my administration.

Reference to Senate Resolution 21 which is before your committee today is appropriate at this point. I want to assure you that the basic 1936 act is being interpreted and administered in accordance with the intent of the Congress and will continue to be so interpreted and administered until the Congress changes it. This position has been and continues to be strongly supported by the Secretary and the General Counsel of the Department.

The letters referred to in Senate Resolution 21 speak for themselves on this point. I want here and now to state for the record my deep appreciation for the support given us on these vital matters by the Secretary and the General Counsel and the people in their offices, and by the Members of Congress who have stood by us in our firm resolution to carry on as we have in the past.

That concludes my statement on Senate Resolution 21 and I am here to answer any questions.

Senator HOLLAND. Is there any clarifying legislation of any kind that would serve to simplify the administration of the REA program from the standpoint of making it very clear where the REA effort begins and ends and where the field of service by the commercial companies ends.

Mr. HAMIL. No. Under the present legislation, Mr. Chairman, there is no point of demarcation except we do not make loans to serve customers who are at that time being served.

There are differences of opinion as to what may be service.

Senator HOLLAND. Well, we have had some cases arise in my own State which make me realize that the point isn't entirely clear. For instance, requests for service requiring long extensions of line by people who are located close to or adjoining commercial lines, who are not actually connected with those commercial lines.

What is the standard there under present law and under present administration as to when you take jurisdiction of such cases and when you feel they should be served by REA?

Mr. HAMIL. Well, as you know, Mr. Chairman, the borrowers from REA are locally operated entities and we are acting in the capacity of their bankers for serving unserved people.

The loans that we make are self-liquidating and repayable.

Therefore, if the parties to whom they are extending service are beneficiaries according to the act, Mr. Chairman, they are eligible for an REA loan.

Senator HOLLAND. That is the sole controlling factor? Whether such service can become profitable or would be a drain on their organization?

Mr. HAMIL. That primarily comes in the jurisdiction of the entity making the application to us.

However, we check that very thoroughly to see if the organization borrowing from REA is on a self-sustaining and self-supporting basis and that the loans are repayable from income.

Senator HOLLAND. Well, you mean by that that the local borrowing organization is the sole judge of whether or not they should make a certain connection, no matter how long it is, provided that their total system is such as to afford a good credit risk to REA.

Mr. HAMIL. That is a question that does not come up too often, Senator, the length of the proposed extension.

The policies that control most of the organizations borrowing from REA are such that the extension is self-supporting.

Do I make that clear? In other words, if there is going to be an extension to their system, they want that portion of the system to be as near as possible self-supporting. In other words, it is unusual to run a long line to pick up some one member out there unless it is some extremely unusual circumstances.

There are some places in the wide open parts of, we will say, the West, where they might have to go 15 miles to meet a load, a farm load or a ranch load. However, in the cases that I am personally familiar with, those are pretty well on a self-supporting basis.

Senator HOLLAND. The REA as such then does not regard it as its responsibility to determine whether or not the particular extension sought to be financed would be self-supporting on its own basis, but regards that as something for the local unit to determine. And your test is whether or not the whole security of the system is adequate.

Mr. HAMIL. It is looked at from both aspects, Mr. Chairman.

Senator HOLLAND. Are you desirous that the Rural Electrification Administration have responsibility to see whether or not the particular extension is an economical one?

Mr. HAMIL. Yes.

Senator HOLLAND. What do you regard as a proper conclusion if you find that the local single extension being considered is not economical?

Mr. HAMIL. Well, you are getting down to where I will have to cite a specific case for you. I have in mind a case where the place was quite remote. The proposed borrower was in a good enough financial condition from its other operations to carry this particular extension whose guaranteed minimums were going to be reasonably high to begin with. We granted a loan to those people even though that particular portion of the system was going to be uneconomical, but the entire unit, Mr. Chairman, was self-supporting. If we were not doing that we would never have accomplished area coverage.

Senator HOLLAND. You regard your responsibility as adequately discharged if you are sure that the security offered within the whole system offers you a safe loan?

Mr. HAMIL. Yes.

Senator HOLLAND. In its earning power?

Mr. HAMIL. And its earning power will cover it. And those people who are requesting service are eligible, under the act, and are unserved rural people.

Senator HOLLAND. All right. The first point is one that has caused concern as I have stated.

The second point is this, do you regard it as appropriate and proper for REA to serve a new industry coming into a place where it does have a connection in proximity to an established commercial line simply because it is unserved, even though considerable extension has to be made to get to it.

Mr. HAMIL. Well, I have granted loans for that purpose, Mr. Chairman.

Senator HOLLAND. Give us an instance of that if you don't mind.

Mr. HAMIL. The instance of the loan in question here this morning.

Senator HOLLAND. A new entity.

Mr. HAMIL. For a new entity. I would like to state for the record—

Senator HOLLAND. What were the facts there if they were different in any respect in your understanding from those stated by the witness, Mr. Whitmore?

Mr. HAMIL. I would cite the case as I have it in my own words. The service was being provided in that particular area by a railroad company. It was 25-cycle energy; 25-cycle energy, to most people building a new plant today, is antiquated. It is out of date. Motors and equipment necessary to use 25-cycle energy are like the horse and buggy. They just don't come regularly any more.

This organization, the Lehigh Sewer Pipe & Clay Co. was going to build a new plant in the area. They wanted to use 60-cycle engines, and applied to the railroad company for service and were notified that 60-cycle energy was unavailable.

So the applicant went to the cooperative and the cooperative surveyed the situation and figured that they could provide 60-cycle energy and submitted an application for that portion of the loan necessary to transmit energy into the area. And the loan was granted.

The present company in the area, the Iowa-Illinois Gas & Electric Co., was at the time that the original contractual arrangements were

discussed not even the owner of the facilities, the distribution facilities in the area. They later came and wanted to supply the load. The cooperative had already made its arrangements for providing power in the area, and we followed through with our loan provision.

Senator HOLLAND. That provision was a loan to allow what construction?

Mr. HAMIL. It allowed the construction of a transmission line into the area. However, I think that there are other places being served off of this system also. In other words, the line did not have to be particularly for this one unit.

Senator HOLLAND. You heard Mr. Whitmore's testimony this morning, did you?

Mr. HAMIL. Yes, I heard Mr. Whitmore's testimony.

Senator HOLLAND. Is there any part of it which you think was not in accord with the facts?

Mr. HAMIL. The only part that I would say was that at the time the proposal came up, his company's predecessor was supplying 25-cycle energy which was not the type of energy that this organization wanted in their new plant. Their predecessor indicated, at least, from information that I have, they didn't care to go into converters or things that would be necessary to provide 60-cycle energy.

Senator HOLLAND. Was it your belief in granting the loan that the commercial company serving that precise area was not prepared to or willing to supply the service that the customer requested.

Mr. HAMIL. That is right.

Senator HOLLAND. If he had been ready and willing to supply that precise service, your decision would have been what?

Mr. HAMIL. It might have been different. The loan was granted upon the conditions that did prevail, not what might have been.

Senator HOLLAND. Let us take a hypothetical case. If that commercial company had had a line about 160 feet from the new plant, and had had the precise kind of power available in adequate amount to supply the customer at the new plant, would you have felt that the loan should be granted by REA for constructing a line 20 miles long to reach the place?

Mr. HAMIL. I think you have answered your own question, Mr. Chairman. I don't believe we would have been requested to have granted a loan, had those other circumstances prevailed.

Senator HOLLAND. That isn't the question. The question is what, under REA policy, would you have regarded as your duty to do, to grant or to refuse the loan under the facts that I have stated if they had existed?

Mr. HAMIL. Well, each one must be looked at as a separate case. Basically, we don't grant loans where the service is already being supplied. That is contrary to the act.

Senator HOLLAND. This isn't a question of whether service is already being supplied. This is a question where service is available, if it had been available 160 feet distant, of the type of electricity wanted by the customer and in the amount adequate to service him, as contrasted with the necessity of the co-op building a new line 20 miles long. What would your decision have been if the facts had been as I have stated them in my hypothetical question?

Mr. HAMIL. It would have been against the amount of money to build the line.

Senator HOLLAND. Against granting the loan?

Mr. HAMIL. Yes.

Senator HOLLAND. I think that begins to shape up a policy. I think it is the function of this committee to find out what the policy of the REA is, and if your policy is to decline to grant a loan under conditions which I have stated to a new commercial plant being built within 160 feet of an existing transmission line of a commercial company, if that company had the type of power in adequate amount to render the required service as contrasted with the requirement of building a 20-mile line of service by the co-op. Do you feel that the policy would have been to deny under such circumstances.

Mr. HAMIL. Yes.

(This matter is further discussed in the following letter dated Mar. 9, 1959, from Administrator Hamil to Chairman Holland.)

U.S. DEPARTMENT OF AGRICULTURE,
RURAL ELECTRIFICATION ADMINISTRATION,
Washington, D.C., March 9, 1959.

HON. SPESSARD L. HOLLAND,

*Chairman, Subcommittee on Agricultural Credit and Rural Electrification,
Committee on Agriculture and Forestry, U.S. Senate.*

DEAR SENATOR HOLLAND: During the course of the hearings on March 6, 1959, before your subcommittee on Senate Resolution 21, you requested that we submit data bearing upon the electric service furnished by Greene County Rural Electric Cooperative to Lehigh Sewer Pipe & Tile Co.

There are attached for inclusion at appropriate points in the transcript of the hearings a résumé of REA actions with respect to approval of the electric service contract between Greene County and Lehigh and a statement of the rates charged for this service by Greene County.

In reviewing the transcript of the hearings held on March 5 on Senate Resolution 21, we find that a portion of the record which deals with REA loan policy, when read out of context from later discussion and without reference to the firm position taken in the Department's August 7, 1958, and October 29, 1958, letters to the Comptroller General, could lead to a misunderstanding of REA loan policy.

In view of the importance of obtaining a clear understanding of this matter, we wish to clarify and reemphasize the policy which governs REA loan actions. It is requested that this letter be inserted at the appropriate point in the transcript of the March 5 hearings.

The test of eligibility for a loan financing the rendering of electric service is found in the specific language of section 4 of the Rural Electrification Act of 1936 which authorizes loans to be made "for the furnishing of electric energy to *persons* in rural areas who are not receiving central station service." [Emphasis supplied.] It was and is today REA policy to make loans to serve all persons who meet this test without regard to the availability of service from another source. The disastrous effects upon the REA program of applying the tests of *availability* of service advanced in the Comptroller General's decisions are stated in full in the Department's letter of August 7, 1958, under the caption "Program Effects of Imposition of 'Availability' Restriction," and in the "Analysis of Comptroller General's Opinion of October 15, 1958" attached to the Department's letter of October 29, 1958.

There are additional tests applied to loan applications, such as the test of feasibility, the ability of the borrower to repay the loan as it becomes due with interest. These tests were not at issue in the Iowa loan.

During the course of my testimony, you presented a hypothetical case. It involved financing the construction of a 20-mile line to serve premises located within 160 feet of another existing adequate source of electric service. To eliminate any possibility of misunderstanding, I wish to state that if the premises referred to in the hypothetical case were not actually receiving service from another supplier, these premises would be eligible for service from an REA-financed line.

Sincerely,

DAVID A. HAMIL, *Administrator.*

Senator HOLLAND. I think that begins to make a policy.

Senator AIKEN. I would like to ask a question. On this 20-mile line to serve the plant, would there be other users picked up on the way?

Mr. HAMIL. In this particular case, Senator, this is a transmission line that is of heavier capacity and this will feed electric energy down into this area and feed it back halfway, possibly, to provide other service.

Senator AIKEN. It was a main transmission line?

Mr. HAMIL. It is transmitting higher power energy than is necessary for normal use.

Senator AIKEN. What I was going to ask was this, would furnishing the amount of electricity that would be used by the plant make it possible to serve 50 or 75 other potential users, who perhaps would not have been served otherwise?

Mr. HAMIL. It might have been, but in this particular case I doubt if there were that many unserved places in this part of Iowa at that particular time. However, REA's studies show that you do not build a powerline to meet requirements for 1 year. You had better be looking ahead 4 or 5 or 10 years because if you don't you will waste a lot of somebody's money in rebuilding facilities every year or two.

Senator AIKEN. I was thinking back to the early days when the REA was getting started, and perhaps would be undertaking to serve, say, 75 light users but who needed it nevertheless and perhaps 2 or 3 large users would increase the total volume, so that it would be possible to serve all of them.

I recall cases where companies have shot the line in and picked up the two or three big users, making it virtually prohibitive to serve the others. I was just trying to make sure what this case was; I think I understand it now.

Mr. HAMIL. At the present time the State of Iowa is reasonably well covered. There are changes occurring all of the time. In building rural utilities as well as other types of utilities, lines must be heavied up to take care of conditions as they change.

Senator AIKEN. Anyway, the purpose of Senate Resolution 21 is not, Mr. Chairman, to determine whether the REA did right or wrong or would have done right or wrong in this case. Senate Resolution 21 is to block an erroneous interpretation of the intent of Congress for the REA program as a whole.

I know nothing about this individual case.

Senator HOLLAND. So far as the chairman of the subcommittee is concerned he is satisfied with the statement of the Administrator which he understands to be, that the justification for the granting of the loan in this case was based upon the lack of the kind of service required of the commercial company, it being, you might say, adjoining within 160 feet of the new plant and the other, the co-op line, being so far away it required a 20-mile transmission line, but having the kind of service that was required and in an adequate amount. That is a basis for the decision which I can understand. I understand that the Administrator has testified or meant to testify that but for the fact that the commercial company did not have the type of power required, I mean in the amount required, he would not have approved the loan, regarding that as not within the policy of REA to do.

That makes sense to me. I don't know whether it does to anybody else. We have to apply these things, it seems to me, case by case, but you have got to have a policy. I don't want to approve something in blank unless I know what kind of policy I am approving. I can approve that type of policy.

Senator TALMADGE.

Senator TALMADGE. Mr. Chairman, and Mr. Hamil, I regret I didn't get here earlier for your direct testimony. Unfortunately, I have two committee meetings today simultaneously. It is difficult to be in two different places at the same time.

Because of that fact I might go into some testimony that you have already given. Particularly, some that Mr. Whitmore gave this morning and that I did not hear. I want to see if I can get this thing clearly fixed in mind.

As I understand it, the Comptroller General objected to a certain loan involving the Central Iowa Power Cooperative, in Cedar Rapids, Iowa.

Mr. HAMIL. Yes.

Senator TALMADGE. Your position and the position of Secretary Benson was in favor of that particular loan.

Mr. HAMIL. Yes.

Senator TALMADGE. That is the point the distinguished chairman has been asking about. The one involving the construction of a powerline to serve primarily an industry 20 miles from your nearest line.

Mr. HAMIL. Can I correct that?

Senator TALMADGE. Please do.

Mr. HAMIL. The cooperative had a line already in the area but it is of insufficient capacity to provide the loads needed. They were serving the residence of one of the employees of the Lehigh Sewer Pipe & Clay Co. in the immediate vicinity of the plant but it was of insufficient capacity, Senator Talamadge, to provide the capacity needed by the clay plant.

Senator TALMADGE. That is the REA line that you are referring to?

Mr. HAMIL. Yes, the Greene County Electric Cooperative.

Senator TALMADGE. Was there any other powerline in that area?

Mr. HAMIL. Yes, there was.

Senator TALMADGE. That was available.

Mr. HAMIL. Yes, there was, through lines of the Fort Dodge and Des Moines & Southern Railroad Co., who were offering 25-cycle energy at that time and was the predecessor of the organization now having those facilities, the Iowa-Illinois Gas & Electric Co.

Senator TALMADGE. So the industry found it was without electrical power from either source, either the REA cooperative or the other?

Mr. HAMIL. They were going to construct a new plant in that vicinity. The then supplier of their old plant was furnishing them with 25-cycle energy which, in their opinion, was not the type that they wanted for their new plant.

Senator TALMADGE. And that particular supplier failed and refused to make available the type of electrical energy they desired.

Mr. HAMIL. I understand that to be true.

Senator TALMADGE. At which point the REA cooperative decided to furnish adequate power and filed their petition for a loan, is that correct?

Mr. HAMIL. They did apply to REA for a loan to build this transmission line into the system, into this area, which loan was granted.

Senator TALMADGE. You and Secretary Benson approved the loan and the Comptroller General disapproved the loan.

Mr. HAMIL. Well, the REA Administrator approved the loan. After that was done, the Comptroller General at a later date in his opinion stated that he thought we had acted contrary to the act. Our attorneys for the Department of Agriculture went into it. We submitted our position and that position was later partially sustained, at least, by a return letter from the Comptroller General, and he at that time, if my interpretation is correct, was going to refer the matter to the Congress. I think that that brought on Senator Aiken's and others' resolution here which, in my opinion, if adopted, is a statement of the expression of the opinion of the Congress.

Senator TALMADGE. I appreciate that. I am beginning to get this more in perspective now.

I heard your answer to the questions of the distinguished chairman. Is it the policy of the REA Administrator not to make loans where adequate power facilities are already available to serve the public?

Mr. HAMIL. That is true.

Senator TALMADGE. Is that in the REA Act also?

Mr. HAMIL. The REA Act, Senator Talmadge, says that we make loans for serving persons in unserved rural areas.

Senator TALMADGE. By "unserved" do you construe that to mean that there is no power available for the purchasers in that area?

Mr. HAMIL. You have asked me a point blank question, Senator, that I will have to qualify the answer to.

Senator TALMADGE. Answer it any way you like.

Mr. HAMIL. I will have to qualify my answer to say that if these people are served, then REA borrowers would not be qualified to go in there and offer service to them. If it is an unserved person in a rural area and the borrower from REA does apply for a loan, to serve an unserved party, he is eligible.

Senator TALMADGE. But if the area is served the application of the loan would be denied.

Mr. HAMIL. Yes, if he is served—I am trying to get that straight. Each one is on an individual case basis. In some cases if you have an adverse State commission decision, you might have to deny it. But sometimes—

Senator TALMADGE. So that as to Federal policy and law, without regard to a particular utility, or subject. Your policy is to disapprove applications of loans in areas that are presently being served by others for electrical energy, is that correct?

Mr. HAMIL. To persons—unserved persons in the area.

Senator TALMADGE. Suppose you had, as is the case in most rural areas, at least, it was several years ago—fortunately we have REA's in most rural areas now—some area that was partially served and, in the same general area, another area not served, what would the policy be?

Mr. HAMIL. We would make the loan.

Senator TALMADGE. Do you make loans to cover the area not being served, and also the area being served—which would it be?

Mr. HAMIL. It would be the person. We are not making loans for areas. We are making loans for persons, people, or corporations, and those are all defined in the act which tells you what a "person" is. It is quite plain.

Senator TALMADGE. Then it would be the prerogative of whomever you made the loan to, to determine whether they went into serve the unserved area, is that correct?

Mr. HAMIL. The unserved area has nothing to do with it. It is the unserved individual or the corporation. They are eligible under the act, Senator Talmadge. That is the interpretation that has been placed on the act for some 23 years.

Senator TALMADGE. You would not——

Mr. HAMIL. It is the person, not the area.

Senator TALMADGE. You would not make loans to individuals to serve the city of New York?

Mr. HAMIL. Not in the city of New York, because that is a little larger than 1,500, and it is already served.

Senator TALMADGE. That is what I am trying to find out, the policy as to the served area. Again, I cannot get that clear.

Mr. HAMIL. New York City has corporate boundaries.

Senator TALMADGE. Yes, sir.

Mr. HAMIL. That is right. We have no loan jurisdiction within the city of New York.

Senator TALMADGE. In other words, all of the loans must be made in unincorporated areas?

Mr. HAMIL. Not larger than 1,500.

Senator TALMADGE. 1,500 or less?

Mr. HAMIL. 1,500 or less.

Senator TALMADGE. That begins to clarify it somewhat.

I will ask you another question or two about the matter that you and Senator Holland discussed. Was the loan under question made for the specific purpose of building a line to serve a particular industry that did not have adequate power, or was it to extend the lines in the general unserved area?

Mr. HAMIL. It was made, if my interpretation of it is right, to serve this load and possibly other people who may come under the line and to add capacity in the area in which this cooperative was serving.

Senator TALMADGE. Let me give you a hypothetical question. Hypothetical questions are sometimes difficult and not always easy to answer.

Suppose the Atomic Energy Commission, American Aluminum Co., or some other giant user of power decided to build a plant in some remote area, in Georgia. Suppose also that there was a powerline 10 miles from there but at no other points.

If an application were made to you to extend an REA line there, would you grant it?

Mr. HAMIL. It is unserved?

Senator TALMADGE. Yes, sir.

Mr. HAMIL. Yes, sir.

Senator TALMADGE. Suppose at the same time some other public utility wanted to extend that same line, what would the policy of the REA Administrator be?

Mr. HAMIL. Well, the policy of the Administrator in the case of that kind would be to weigh the facts in the case, Senator. If the borrower from REA had helped to develop the load and this was in a territory in which he had service potential, we would weigh the circumstances, and if it looked favorable from all aspects we probably would grant the loan.

Right here, I would like to put this into the record, so that everybody in the country understands it. We have competitive aspects between the borrowers from REA and other types of suppliers all over the country. And if we think we have seen anything in the first 23 years, just wait until the next 23.

Senator TALMADGE. That is the point I am trying to clear up now. Where is this area of competition, if any, between the rural electrification cooperatives and other public utilities? Your sole criteria, as I understand it, is whether or not the area needs electrical power and whether they can repay the loan.

Mr. HAMIL. That is correct.

Senator TALMADGE. You have no desire to compete with any public utility to be first in the particular area or to be foremost in the particular area to provide power.

Mr. HAMIL. We do not, Senator, as a lending agency of the Federal Government. However, at the local level, to say there would not be some competitive aspects, would not be looking at the whole matter of electrifying the country and maintaining stability in your organization.

Borrowers from REA did go into sparsely settled areas, provided the service that prior to that time most areas were not receiving. When a little opportunity for betterment comes along, do you think they, as American citizens, should step aside? They don't do it. That is the way it is. There is no use of thinking they will step out and give up when somebody else wants to come in.

I developed a good business of my own at home. Do you think I will step aside because somebody else doesn't like what I am doing? Are you going to step out of your business in Georgia because somebody else does not like it? You will not do it.

It is developing a competitive aspect, and it probably, will continue. In my opinion, it is good for both cooperatives and other suppliers of energy.

Senator TALMADGE. It makes more power available in the area.

Mr. HAMIL. Yes.

Senator TALMADGE. Getting back to that same point, I thought Senator Aiken described it very well this morning when he started off with the skim-milk theory, then as more people settled in a particular area, demand for electrical power becomes greater and becomes more desirable from both standpoints. Do you see any necessity of passing a resolution, Senate Resolution 21, to cover the validity of all previous loans that have been made by the REA, in view of the Comptroller General's decision—I believe it is listed as B-134138.

Mr. HAMIL. Senator, I believe that the second letter that came back to the Department of Agriculture from the Office of the Comptroller General indicated that a statement of policy from the Congress might be a guideline. Therefore, a resolution from the Congress would be an expression of approval or disapproval of policies.

I don't think we have made any illegal loans. If I felt we had been making illegal loans, we have been getting the wrong legal advice. I don't think we have been. I think our legal advice has been good, and I think that our loans have been under the act.

Until there is indication from the Congress that we are not lending the money for the purposes for which they make it available to us, we will continue to follow the same policy.

Senator TALMADGE. I thank the witness. Those are all of the questions I have. I beg to be excused, because there is a witness from Georgia appearing before the Finance Committee, of which I am also a member, and I am finding it difficult to be in both places.

Senator HOLLAND. We are reluctant to have you leave.

Senator Williams?

Senator WILLIAMS. I did have some questions, but they have all been answered.

Senator HOLLAND. Let me go back to this a minute, if I may, on the question of preexisting prior loans. It seems to me that the committee, when it gets down to examining this resolution, is going to want to know very definitely whether or not there is any real need for the Senate resolution, or a statement from the Senate, as to any question affecting the legality either of former loans that have been completely paid out, or former loans which are in process of being paid out.

My experience is that loans are granted and that they are paid out as certain parts of the construction goes ahead. That is true, isn't it?

Mr. SCOTT. Yes.

Senator HOLLAND. So my question at this time is—and I address it to both Mr. Hamil and Mr. Scott, and let them both answer it in turn if they will—whether, in their judgment, there is a question of any seriousness relative to the prior loans which have been fully paid, money all advanced, and, also, as to prior loans made but are not now paid out in whole or in part.

Mr. SCOTT. Mr. Chairman, when this first opinion came—and, as a matter of fact, when we received the second opinion, there was grave concern in the Secretary's Office about the possible effect of that upon not only the future loan policy of REA, but also on the loans that had been made, and those on which there was yet to be funds advanced.

We felt, and do now, that the matter, by all means, needs to be cleared up in some manner, either by a further action or opinion by the Comptroller General completely concurring with the Department's viewpoint, or some other action such as this resolution to clarify the intention of the Congress. We think it is a serious matter to have the question raised.

Senator HOLLAND. The Congress does not control opinions of the Comptroller General. If he was a controllable person we would have a very poor Comptroller General. But the Congress, the two Houses together, can give expression to what they regard as the proper congressional intent in the enactment, preservation, and support by appropriations of an agency.

As I see it, there are two different questions involved here. One is the question we are talking about now, the question of any problem of the stability of the REA now existing, because of the former loans or because of loans now granted but still undisbursed in whole or in part.

The other—and the Senator from Vermont is here and I see he is following me very closely in what I am stating—the other question, it seems to me, is more clearly stating, if that can be done, the policy of Congress in this field so that the statement will be available for the guidance of the Administrator and the borrowers, the general public, the power companies and the courts, as to the policy that should be followed in the future in consideration of future applications. Let me stop right there.

Do you, Senator Aiken, regard both of those questions as being proper questions coming up under this?

Senator AIKEN. I would answer the first part "Yes," with regard to the past loans. As to the policy on future loans, I think that should take the form of direct legislative proposals, because you cannot say that it was the intent of the Congress in 1935—was that it?

Mr. HAMIL. 1936.

Senator AIKEN. That it was set until 1958 and from then on it becomes something else.

I think it would have to go through the regular channels of legislation in order to modify the intent of Congress.

There is something more that could probably be made a little clearer for Mr. Hamil and his staff. I noticed that Mr. Mynatt, his counsel, is with him, and there are two or three questions that ought to be answered to make the testimony, I think, complete and accurate.

I don't know anything about the Iowa case, but I do believe the law provides that REA shall serve "persons not receiving central station service."

When you received the application from the Lehigh Sewer Pipe & Tile Co.—is that it?

Mr. HAMIL. Yes.

Senator AIKEN. When you received an application from this company, did you regard that application as coming from an area or a person? There is where the difference between you and the Comptroller General comes in.

Mr. HAMIL. REA didn't receive anything from Lehigh.

Senator AIKEN. Who made the application?

Mr. HAMIL. We received the application from Central Iowa Electric Power Cooperative who serve a number of cooperatives in that area, including the Greene County Cooperative.

Senator AIKEN. But did you regard the Lehigh Pipe & Tile Co. as being a person or an area?

Would you mind if Mr. Mynatt answers that? I assume that he had to go over the application.

STATEMENT OF EDWARD F. MYNATT, ASSISTANT GENERAL COUNSEL, U.S. DEPARTMENT OF AGRICULTURE

Mr. MYNATT. My name is Edward F. Mynatt, Assistant General Counsel, Department of Agriculture.

Mr. Chairman, and Senator Aiken, there are two questions involved. The first is the Iowa loan.

Senator HOLLAND. What?

Mr. MYNATT. The Iowa loan, as to whether that was a valid loan, the loan we have been talking about this morning. Our standard for determining whether a loan is legal is this: Our act provides for the

making of loans to persons in rural areas not receiving central station service.

"Rural areas" is defined as those outside of towns and cities of 1,500 or more population. The phrase "persons not receiving central station service" grows out of the old Delco units, of which some were in use at that time. Persons using those Delco units were made eligible because Delco service was not considered central station service.

The \$120,000 involved here was a small part of a \$11 million loan, as I recall. This was made to a federated generation and transmission cooperative. One hundred and twenty thousand dollars was set aside to furnish this transmission line, the so-called Lehigh tap, to serve this industrial load.

Again I am speaking as to the law.

Senator HOLLAND. You had implied that this loan was from the proper borrower and for a proper purpose and in proper amount—you had decided that.

Mr. MYNATT. It was returned at one time. This contract had been returned because we had some questions about it. And it was resubmitted with additional data. And we cite seven reasons on page 14 of our first submission to the Comptroller General for determining that this was an unserved person.

Senator AIKEN. A person?

Mr. MYNATT. Yes, sir.

Senator AIKEN. Not an area?

Mr. MYNATT. Let me say this: I don't think we would be here to-day, nor would Senator Aiken and the gentlemen who have introduced this resolution if it had not been for this statement of the Comptroller General's about unserved areas.

Here is the reason for the resolution. It appears on page 7 of the Comptroller General's original decision.

It is clear from the above-quoted statements that the purpose of the central station service limitation was to exclude loans for the paralleling of existing systems or creating competition with existing facilities by prohibiting the use of loan funds for construction of transmission lines and substations to furnish power to an area already served by private power companies when such companies are willing to provide adequate central station service to persons within the area who are not tied to the powerline.

Mr. Chairman, right here in this committee in 1936 with Senator Norris providing the leadership the bill was changed. The original draft of the bill in this very committee provided for an area limitation but the bill as enacted provided only an unserved person limitation. And the bill was reported out of this committee and was enacted for the purpose of making loans to persons in rural areas, not receiving central station service.

From the very time that the act was passed our criterion has been, is this person receiving central station service? If he is not, a loan may be legally made. Of course, there are, as the Administrator and Mr. Scott pointed out, administrative determinations. But our reasons for feeling that the Comptroller General set a completely new standard, and I submit it does, is because loans are not made for areas but for persons. If a power company is in an area and there is power available, then we cannot make loans, they said. We objected to that. They came back again and they changed it just a little bit. Others may have another view, but on October 15 when they

came back again they changed their concept to attempt to define or redefine "unserved person." They left out area limitations.

Then they said, "Now a served person may be a person that still isn't getting electricity if he is alongside, on adjacent, within a reasonable distance, or if no extension of the line is required." You see it in all of those terms.

What would be "a reasonable distance" in Wyoming I don't think would be in New Jersey, necessarily.

What is "adjacent"? Or "alongside of a powerline" is quite indefinite.

New standards have been applied. Let me say conservatively 90 percent of the loans that have been made in the past, or I think, of those that will be made in the future, would violate the area concept, and it would be almost impossible for the Administrator to determine whether a man was alongside, adjacent, within a reasonable distance of a powerline.

We have a criterion which Congress established. It was debated on the floor and made abundantly clear by Senator Norris and Mr. Rayburn, and Senator McNary.

Here's the competition we were not permitted to engage in. We could not make a loan to serve a person already receiving central station service. That is the reason for the Department's feeling at the time this came up.

Senator HOLLAND. Let me ask you a question. I may not have it clearly but did this customer already have a plant at this site?

Mr. MYNATT. Yes.

Senator HOLLAND. Was he being served by the utility company?

Mr. MYNATT. He was being served by the predecessor of this utility company.

Senator HOLLAND. By this utility company?

Mr. MYNATT. By a predecessor, a railroad company.

Senator HOLLAND. This was a railroad company that had this customer to serve and was serving as a public utility.

Mr. MYNATT. That is right.

Senator HOLLAND. A server of power?

Mr. MYNATT. Yes.

Senator HOLLAND. Let me develop this just a minute. Then I will be glad to yield.

As I understand it, from just a quick reading of Mr. Whitmore's position, the customer then decided to build a larger plant, a new plant, adjoining, but not replacing the other, not on the same site but a short distance away, is that correct?

Mr. MYNATT. Yes, sir.

Senator HOLLAND. And the question was whether or not that new plant was entitled to be served by this co-op under REA policy by the extension of the 20-mile transmission line to supply that energy to that new plant belonging, however, to the same customer. That was the question, wasn't it?

Mr. MYNATT. That is right.

Senator HOLLAND. All right. Really then, does not the thing hinge on the matter that Mr. Hamil has already testified about; namely, that the existing utility was not able to supply to that new plant the type of power that it wanted and needed? Must it not stand on that

ground because after all it is the same customer, isn't it? Is it the same customer?

Mr. MYNATT. It is the same customer.

Senator HOLLAND. At approximately the same site?

Mr. MYNATT. But we do not think that common ownership, or the fact of 160 feet would necessarily mean that it was the same customer receiving service at this new plant. It is the same organization that owns both plants.

Senator HOLLAND. You mean you think that if a man who has a supplying line that is 160 feet away is building a new plant that he is not the same customer.

Mr. MYNATT. I question if he had a household separated from him, that he was renting or had a member of the family in, that it might necessarily be the same customer.

Senator HOLLAND. I thought you had a splendidly good case of policy from the testimony of Mr. Hamil, but I am beginning to doubt it if your testimony is correct, because you are laying no emphasis at all upon the inability of the existing utility to render to the new plant 160 feet away the type of electrical energy that it required.

Mr. MYNATT. It is only one of the considerations that was taken into account in determining that this was an unserved person; yes.

Senator HOLLAND. All right. Now I can begin to follow you on that. It was not the same kind of policy. At that close range, the same ownership, the same company, the same type of business, I think you would have to make a very tenuous interpretation of the law to say that it is a different unserved customer. I would not agree with you.

Mr. MYNATT. There are a number of factors, and that was one of the controlling factors.

Senator HOLLAND. You have not mentioned that. That was the controlling factor, was it?

Mr. MYNATT. Well, yes; I think it was one.

Senator HOLLAND. All right. Let us let it stand on that.

Senator AIKEN. My second question was this: Was the tile company actually getting central station service?

Mr. MYNATT. Not for 60-cycle equipment; that is the point.

Senator HOLLAND. It comes back to that.

Mr. MYNATT. That is the point that the Administrator made.

Senator HOLLAND. It was getting it at 25 cycles?

Mr. MYNATT. Yes.

Senator HOLLAND. No question about being the same one, attached to the public utility company and getting 25-cycle service and had been for some time?

Mr. MYNATT. Yes.

Senator HOLLAND. The basis of the decision, really, is that they didn't want this same type of service, could not operate with that same type of service, and Mr. Hamil testified that the public utility would not furnish the type of service they needed; is that correct?

Mr. HAMIL. I think I am correct in stating that the predecessor company to the present owners of these facilities indicated that they were not interested in putting in converters necessary to provide that type of service.

Senator HOLLAND. That makes a case. I don't see the case without that set of facts.

Senator AIKEN. I think it is clear. I think the situation has been cleared up as well as you can clear it up.

Mr. MYNATT. This is one case, and there was an honest dispute about the facts. As to the question of the area concept as against the unserved-person concept, that throws into issue all of the loans we have made in the past.

Senator AIKEN. I think we always have to face a situation in a case like this where the company might come around later and say, "We would have done this" and there is no way of telling whether they actually would have done it and under what conditions and at what rates they would have done it.

Senator HOLLAND. The question is whether they agreed to do it. And if they did not, that is what you relied upon?

Mr. MYNATT. Yes; in part.

Senator HOLLAND. That has been true in so many cases. The service company has not been aggressive, progressive, and that is a matter of policy for them to determine. But as I see it, that is the controlling factor in your case. If it is not, I want to hear it now. You are all here before us, counsel, Administrator, and the head of the Department of Agriculture, who has charge of this. If that is not the key to your case, and the point that you decided it on, let us hear something to the contrary.

Mr. MYNATT. I can put into the record the seven points that we listed in our submission:

The electric facility serving Lehigh's old plant—the 25 cycles—could not without major rehabilitation and reconstruction be utilized to serve the new plant.

In other words, they were not equipped. It would have cost each supplier approximately \$100,000 to have served them.

The power requirements of the new plant greatly exceeded and overshadowed the electrical requirements of existing old plant.

Lehigh's capital investment in the new premises greatly exceeds and overshadows its capital investment in the old plant.

The capital investment required for providing electric service to the new plant, regardless of the supplier, is very substantial in this case in the order of \$100,000 and greatly exceeds and overshadows the capital investment in electric facilities serving the old plant.

Senator HOLLAND. What would that have to do with the old plant? Do you mean to say if a farmer is being supplied by a public utility company and decides to put in on the farm dairy facilities to serve a thousand milkers instead of the 50 that he is using now so as to require vastly increased power and different types of transformers and the like, that he would become another customer?

Mr. MYNATT. Not of itself, but again here the manager in his affidavit of this plant, points out all of these things as showing that this was a completely separate operation. This is one standing alone.

No, sir—

the location and scope of the new plant were determined by Lehigh in the light of a desired new electrical supplier.

That is the statement of the manager.

The operation of the new plant was completely independent of the operation of the old plant.

He so testified. And this one point, Mr. Chairman—

Green County had been serving, since 1952, a Lehigh owner residence located on the same tract.

In other words, both utilities were already serving on this tract.

Senator AIKEN. Greene County is a cooperative?

Mr. MYNATT. Yes, sir. We had both suppliers on this very tract at the very time. It is all of those factors, certainly, including the one that you mentioned.

Senator HOLLAND. You put that first, didn't you?

Mr. MYNATT. Yes.

Senator HOLLAND. You still put it first.

Mr. MYNATT. Yes, it is first.

Senator HOLLAND. So far as I am concerned that is the only one that I have heard that makes a case. All right, sir.

Senator AIKEN. No more questions.

Senator HOLLAND. There are no other members present. Mr. Scott, I don't believe you have testified on any aspect of the problem we have been talking about.

Mr. SCOTT. As I stated, Mr. Chairman, in response to your question a little bit ago, we have been very concerned about this, as a question. It bothered us a great deal to have a difference of opinion with the Comptroller General's Office.

Senator HOLLAND. Sure, it should bother you.

Mr. SCOTT. We would like very much in one way or another to get it reconciled.

Senator HOLLAND. He is the watchdog of the Congress. He represents the legislative arm, looking at your performance and measuring it against what he understands the legislation to require.

Mr. SCOTT. That is right.

Senator HOLLAND. We are certainly not going to try to bind his conscience or override his convictions. We thoroughly are within our rights in stating our own policy and interpretation as to what the Congress meant, but not to try to say, "You must either take this view or else." That isn't the kind of man we want in the Comptroller's office.

Mr. SCOTT. I am sure of that.

Senator HOLLAND. All right, go ahead.

Mr. SCOTT. That is all I have on this resolution.

Senator AIKEN. I think this is the first time that I have ever differed with the Comptroller General's Office. Almost invariably I agree with their decisions.

Senator HOLLAND. That has been my experience, almost invariably, although I have disagreed with them on two or three matters before.

Senator AIKEN. You have a right to.

Senator HOLLAND. We have a right to, and to stand up for our understanding of it just as the Administrator has. I find no fault with anybody who stands up for what he believes the law means.

I do want to see the Administrator stick by the real reason for making this loan that seems to be the occasion for this controversy.

I think the only supportable reason is that the utility could not furnish the type of power required, and would not adjust. If that is it, why that makes a case. As I understand it, you are stating that?

Mr. SCOTT. That was it.

Senator HOLLAND. All right.

Mr. HAMIL. In conclusion, Mr. Chairman, we are trying to carry out the REA Act to the very best of our ability, and if we are not carrying it out the way it should be in the eyes of Congress, then

we would appreciate direction along that line. Otherwise, we are going to continue just like we are.

Senator HOLLAND. May I say to you, and speaking only for myself, that I think you realize as well as we do that the question of what is the proper policy is a much more disturbing question now than when you began with a larger part of the rural homes and communities unserved. Now you are serving 95 or 96 percent of the rural homes. Am I correct about that?

Mr. HAMIL. They are being about——

Senator HOLLAND. I mean——

Mr. HAMIL. Yes; that is right.

Senator HOLLAND. Further extensions are going to more and more require the having of a sound policy as to what does and what does not constitute undue interference with established private enterprise. I think you folks understand that that is the case more clearly than anybody else. I think this is a fine occasion for the declaration of principles of policy which I think should not be simply addressed to whitewashing everything that has gone before, and approving of certain letters which we don't even yet know what the contents are, and from what has been read to us it appears there are things in the letters that, at least, are in accord with the chairman's view and those that are not. So it is very difficult to say in a blanket way we should by resolution approve everything that has been done before or that is proposed to be done in the future under the principles outlined here. I think it is a real challenge and opportunity to try to lay down a policy that is sensible and constructive, and which allows the REA to not only continue to render service, but to become sounder financially and incomewise, but at the same time one that does not destroy our concept of encouraging private enterprise.

(Whereupon, at 3 p.m., the subcommittee proceeded to consideration of S. 75.)

RURAL ELECTRIFICATION LOANS

FRIDAY, MARCH 6, 1959

U.S. SENATE, SUBCOMMITTEE
ON AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION
OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to adjournment, at 10 a.m., in room 324, Senate Office Building, Senator Spessard L. Holland (chairman of the subcommittee) presiding.

Present: Senators Holland, Ellender (chairman of the full committee), Talmadge, Young of Ohio, and Schoeppel.

Also present: Senator Aiken.

Senator HOLLAND. The subcommittee will please come to order.

The Senator from Montana, Senator Murray, asked that his statement in support of Senate Resolution 21 be filed in the record.

Without objection, that will be done.

(The statement referred to follows:)

STATEMENT FILED BY HON. JAMES E. MURRAY, A U.S. SENATOR FROM THE STATE OF MONTANA

Mr. Chairman and members of the subcommittee, as a cosponsor of the Aiken resolution (S. Res. 21) I am in full agreement with its purpose, which is to reject the Comptroller General's decisions of July 21, 1958, and October 15, 1958, which narrowly limit the authority and scope of activities of the Rural Electrification Administration.

I think it would be pointless for me to remind this committee of my long-standing interest in and support of the rural electrification program. In that regard, the record speaks for itself.

I do appreciate, however, the opportunity to present this statement to the committee because I would like to give the committee what I consider to have been the intent of Congress with respect to the Rural Electrification Act during the years that rural electrification has made its remarkable contribution to rural life in the United States. I will then give my opinion concerning the intent of the Congress at this time.

Throughout all of its legislative history, the Congress intended the Rural Electrification Act of 1936, as amended, to be the authority for the REA Administrator to approve loans to rural electric cooperatives and public power districts for the purpose of serving persons in rural areas.

The plain language of the Rural Electrification Act states that the Administrator is authorized to make loans to provide electric service, "to persons in rural areas who are not receiving central station service * * *."

In my considered judgment the only criterion governing the eligibility of a person in a rural area to receive the service of REA is as follows: If a person lives in a rural area and is unserved, REA can make a loan to provide him with service.

I am sure that my colleagues in the Congress never intended for the Administrator to have authority to decide whether a person in one area was eligible to receive service, while a person living in some other area was not eligible for service. No administrator has ever so interpreted his authority. Rural electrification would never have made the great progress that it has if every applicant

for service had required a subjective review of his eligibility on the basis of whether he was near or far from an existing powerline. The law was clear—if the person requesting service lived in a rural area and did not have service he was automatically eligible. This test of eligibility was clearly enunciated by the late Senator George Norris, coauthor and chief Senate sponsor of the bill which became the Rural Electrification Act of 1936, and it has been so understood in the Congress, the Comptroller General's rulings in July and October of 1958 notwithstanding.

As to the present situation, it is my opinion that the Congress has had no reason to change its views regarding the eligibility of rural people to obtain electric service. One and all will agree that all rural people that do not have service are entitled to have it. It will be cause for rejoicing when central station electric service is available to all of our rural people, for when that has been accomplished REA will have completed its first major phase. After all rural people are served the REA's responsibility will become that of maintaining an adequate supply of current to meet fully the requirements of those they serve.

I consider the rulings of the Comptroller General to be contrary to the intent of Congress, if not a usurpation of legislative authority, and I urge this committee to report out Senate Resolution 21 so that the Senate may have an opportunity to adopt it promptly.

I also desire to file for your record copy of a statement concerning S. 144 I am today filing before the House committee.

STATEMENT OF SENATOR JAMES E. MURRAY BEFORE THE SUBCOMMITTEE ON EXECUTIVE AND LEGISLATIVE REORGANIZATION OF THE HOUSE COMMITTEE ON GOVERNMENT OPERATIONS, RURAL ELECTRIFICATION ADMINISTRATION

Mr. Chairman and members of the subcommittee, I am availing myself of this opportunity to express my wholehearted support of the Price bill (H.R. 1321) which is designed to rescue REA from the political hand of the Secretary of Agriculture.

As you know, H.R. 1321 is identical to S. 144 which has been introduced by Senator Humphrey, my colleague from Montana, Senator Mansfield, and a number of other Senators, including myself. My own support, therefore, is 100 percent back of this bill.

This is a moderate bill. It is designed to restore to the Administrator of REA the authority he had prior to the Secretary of Agriculture's reorganization of REA about a year and a half ago under Reorganization Plan No. 2 of 1953.

There are many reasons for taking REA out from under Secretary Benson's rule altogether. But this bill does not go to such extremes. It will merely put REA back to the state of power and responsibility that proved so successful through the 15 years or so before the Secretary took over. The bill does not set up any new agencies in an already overcrowded bureaucratic maze. But it does free the REA Administrator from political interference.

I would like to remind the committee that I was first elected to the United States Senate in 1934 and during the more than 24 years since that time I have supported the Rural Electrification Administration program from the modest beginning that was authorized by President Roosevelt's Executive order, dated May 11, 1935, to the present time. During a period of less than one generation we have seen a remarkable change brought about in rural life in this country. Less than 6 percent of Montana's farms were electrified with power from central power stations in 1935. Today nearly 88 percent of our farms have such service. In the United States as a whole more than 95 percent of all farms have central station electric service. This transformation was brought about in a large measure by the REA and it took place for the most part before Reorganization Plan No. 2 took much of the Administration's authority and transferred it to the Secretary of Agriculture.

When the Congress established the REA it was our intention to divorce its activities from partisan politics. We established the office of the Administrator and gave that office full authority to carry out a constructive program. We set the term of office of the Administrator at 10 years because we wanted to give continuity of direction to the program for a period that would minimize the possibility of frequent change for political reasons.

Farmers in Montana and I am sure elsewhere in the country, who are so dependent upon the efficient operation of rural electric systems see dangers in having Secretary Benson invested with great authority over the REA program. Statements frequently made by Secretary Benson in which he has

advocated the private financing of rural electric systems and higher rates of interest on REA loans quite naturally cause farm people to question his understanding of the program and his sympathetic consideration of rural problems.

Directors and managers of our rural electric systems are even more concerned with the possibility of the Secretary invoking new restrictive criteria on the approval of their loan applications. While no serious impairment of the program has come to light to date, our rural people would feel more secure if control were taken from a politically appointed officer and returned to the hands of an administrator who would have an unbiased interest and the professional competence to evaluate the merits of loan applications solely on the basis of their technical, legal and financial feasibility and necessity.

For the reasons noted above I urge you to report out the bill before you so that we may vote its passage at the earliest possible time.

Senator HOLLAND. The Senator from Pennsylvania, Senator Clark, has asked that there be included in the record a copy of the resolution passed by the Pennsylvania Rural Electrification Association at its meeting in Bedford, Pa., on January 21 and 22, concerning Senate Resolution 21.

Without objection that course will be followed.

(The resolution referred to is on p. 4.)

Senator HOLLAND. The Senator from Missouri, Senator Hennings, requests inclusion in the record of a telegram in support of Senate Resolution 21, which he has received from Mr. Julius Helm, general manager of the Missouri State Rural Electric Association.

Without objection, that will be done.

(The telegram referred to follows:)

MARCH 2, 1959.

HON. THOMAS C. HENNINGS, Jr.

U.S. Senate,

Washington, D. C.:

This is with reference to Senate Agriculture Subcommittee hearings on Senate Resolution 21, March 5. Since impossible to appear before committee or submit prepared statement would appreciate your informing committee that our association which comprises 405 duly elected REA co-op directors and 46 managers representing approximately 245,000 rural consumers in Missouri wholeheartedly support Senate Resolution 21. We are unalterably opposed to omnious revised ruling of Comptroller General issued October 15 which in effect is the same as his July 21 ruling and would in our opinion, restrict REA Administrator's loan-making authority by prohibiting loans in areas that power companies claim they are willing to serve. We simply don't believe this was intent of Congress when it enacted Rural Electrification Act of 1936 and hope you will make our position known to the committee.

JULIUS HELM,

General Manager, Missouri State Electric Association.

JEFFERSON CITY, Mo.

Senator HOLLAND. The Senator from Alabama, Senator Hill, wishes to file a prepared statement in the record.

Without objection, that is permitted.

STATEMENT FILED BY HON. LISTER HILL, A U.S. SENATOR FROM THE STATE OF ALABAMA

Mr. Chairman, I would like for the record to show that I strongly urge this committee's approval of Senate Resolution 21, which to my mind is essential to the continued effectiveness of the entire rural electrification program in this country.

Senate Resolution 21 is made necessary by ruling by the Comptroller General of the United States that were it followed would effectively stymie REA—one of the greatest social and economic programs this country has ever seen.

Twenty-three years ago only 1 farm in every 10 in this country had electricity. The other nine lived by the flickering and inadequate light of kerosene lanterns.

There was on these farms no electricity for water pumps, feedmixers, power tools, chicken brooders, milking machines, and coolers and milkhouse ventilators.

There were none of these or any of the estimated 250 uses of electric power that today promote farm production. And there most certainly was no power for "mere" conveniences such as refrigerators, stoves, and radios.

This was the situation when the private power producers labored forth with predictions that rural electrification was almost complete, that the farmer and the rural families had all the electricity they wanted.

Today 9½ out of every 10 farms throughout the width and breadth of this land have electricity to produce more and better of the food and substance that sustains us all. And while he is producing more and better, the farmer lives in comfort comparable to that of his city brother.

Probably nowhere in history can we find a parallel to this miracle of the electrification of the American farm.

It is not by coincidence that these 23 miracle years parallel the birth and development of the REA program.

During the 23 years this program has been in operation about 1,000 REA cooperatives, organized by local people and completely owned and operated by local people, have borrowed \$3.77 billion from REA to build modern electric power systems to serve the rural areas.

Rural electric co-ops have not only brought power to 53 percent of all American farms, but at the same time have supplied the competitive push that largely accounts for much of the rest.

There is no lessening in this rural trend to more and more power use. In fact, the demand for on-the-farm power is now doubling every 5 to 7 years.

Before Franklin Roosevelt, George Norris, Sam Rayburn, and the others brought REA into the American power picture, the private companies had the field to themselves. Rural home and business owners, often within sight of high lines linking "cream" customer areas, pleaded for power and the answer was that the companies "simply were not ready to develop the territory."

Representative W. R. Poage, of Texas, long-time leader in REA legislation, put it this way: "There never would have been a single rural electric cooperative had the power companies of American met the reasonable needs of the rural areas for electricity."

But they did not and REA was born and brought light and power and a better life to thousands who, without doubt, would otherwise still be in the dark.

And still the farmer today is in trouble. He is caught in a price vise that threatens to snuff out the life of thousands of small operators. And the Federal farm program helps turn the vise.

REA provides one of the few bright spots in the American farm picture today.

Even the program's traditional enemies know this and no longer dare openly to advocate the death of REA. Their approach is through proposals to "improve."

Their devious methods are nowhere more visible than in a recent ruling by Comptroller General Joseph Campbell, appointed to his present position December 15, 1954, by President Eisenhower.

This ruling ordered an unprecedented restriction on the REA loan-making authority. The ruling completely reverses the clear intent of the Congress as set forth in the REA Act. Furthermore, it ignores 23 years of successful administration of REA.

I strongly protested this ruling to the Comptroller General, and while he has not reversed his ruling, he has said he does not intend to enforce it. Of course, he will not enforce it because there is no statutory provision prohibiting or restricting the use of REA appropriations except as set forth in the language of the REA Act. And as long as this is the case, the REA Administrator is not required to answer to the Comptroller General for his actions. He is required to answer only to the Congress of the United States.

The bill now before this committee expresses the intention of the Congress that REA continue the successful administrative formula it has employed in the past.

Continuation of REA is essential for farmers are becoming more and more dependent upon electricity as a production tool. Already some 400 farm uses for electricity are known and more than half of these directly increase profits and production.

In this situation we cannot allow our farm people to be dumped in the laps of Wall Street.

We must prevent this, for the farmer remains the backbone of our economy. It is upon his success and well-being that our entire economy still depends.

When he is helped, as with REA, to achieve better things, the effect is felt in increased business everywhere. It stimulates private business, both locally and nationally.

Surveys show, for instance, that for every dollar invested in rural power facilities, the farmer invests three to four dollars in wiring, plumbing and electrical appliances.

Also, when power is available the establishment of industry in rural areas is encouraged. The importance of this latter to today's industrial revolution is unmistakable, not only to the South but all sections of the country.

Senator HOLLAND. All right.

Mr. Keller.

Mr. KELLER. Yes, sir.

Senator HOLLAND. Are there other witnesses present who wish to be heard, because so far as I know this will be the last day of open hearings.

We have had no request for other testimony than that to be given by the witnesses who appeared yesterday and those who will either appear today or received permission to file statements.

Is there anyone else to be heard?

(No response.)

Senator HOLLAND. That being the case, we will close the record with today's hearing.

All right, Mr. Keller.

STATEMENTS OF ROBERT F. KELLER, GENERAL COUNSEL, AND RALPH E. RAMSEY, ASSOCIATE GENERAL COUNSEL, GENERAL ACCOUNTING OFFICE

Mr. KELLER. Mr. Chairman, I have with me Mr. Ralph E. Ramsey, who is Associate General Counsel of the General Accounting Office.

In the interest of time I wish to file for the record my prepared statement, if that is satisfactory, and then I will read parts of it.

Senator HOLLAND. Without objection, the entire statement will be printed in the hearing record. How many pages do you have?

Mr. KELLER. There are six.

Senator HOLLAND. All right, you may proceed.

Mr. KELLER. At the outset, Mr. Chairman, we wish to say that we have no objection to the approval of S. Res. 21. It would clarify a difference of opinion existing between our office and the Department of Agriculture on the interpretation of the REA Act. Our letters to the Secretary of Agriculture pertaining to this matter, particularly those of October 15 and December 8, 1958, stated quite clearly that the only action we proposed to take in connection with the loan in question and the interpretation of the REA, was to report the matter to the Congress for whatever action the Congress might consider appropriate. In fact, we advised the Secretary of Agriculture we would take no other action in connection with the particular loan that was considered, or any action on future similar loans, in the absence of an expression of congressional intent to the contrary.

The decisions of the Comptroller General resulted from a loan made by the Rural Electrification Administration (REA) to the Central Iowa Power Cooperative (CIPCO). By letter dated October

10, 1957, the Iowa-Illinois Gas & Electric Co. (Iowa-Illinois) called our attention to a loan of \$11,173,000 to CIPCO.

I am not certain that letter is in the record, Mr. Chairman, and we will offer it. The letter is addressed to the Comptroller General from Iowa-Illinois Gas & Electric Co. It is dated October 10, 1957.

Senator HOLLAND. Without objection, that letter will be admitted. (The letter referred to is on p. 57.)

Mr. KELLER. Mr. Chairman, the factual situation on the particular loan was covered on two occasions yesterday. There is one point, however, where there seems to be some difference of opinion, or difference of fact, which I would like to point out.

According to our records, the Fort Dodge, Des Moines & Southern Railway Co., by letter dated May 19, 1955, and again orally on September 28, 1955, confirmed by letter dated October 4, 1955, offered to furnish to Lehigh Pipe 60-cycle electric service for its proposed new plant.

Senator HOLLAND. On that point——

Mr. KELLER. Yes, sir.

Senator HOLLAND. On what date was the commitment made by the Greene County Cooperative to furnish power?

Mr. KELLER. Subsequent to the date of the REA loan which was on September 9, 1955. Undoubtedly there were negotiations prior to that time.

(For letters referred to above see p. 72 and p. 75.)

Senator HOLLAND. All right, proceed.

Mr. KELLER. On October 28, 1957, we forwarded Iowa-Illinois' letter of October 10, 1957, to the Department of Agriculture for a report. The Department's report was furnished on December 3, 1957.

(For report referred to above see p. 64.)

Mr. KELLER. After consideration of this report and an additional report dated May 5, 1958, we advised the Secretary of Agriculture by letter of July 21, 1958, that in our view the legislative history of the central station service limitation (secs. 2 and 4 of the REA Act) disclosed that its purpose was to exclude loans of the type involved. That is, it was intended to exclude loans for the purpose of paralleling existing systems or creating competition with existing facilities. We further stated in that letter that aside from the legislative history, we were of the view that where a new building or plant of an industrial company is located approximately 160 feet from an old building or plant of the same company on the same tract of ground and the old plant is receiving central station service from a power supplier who has offered to furnish adequate central station service to the new plant, there appeared little basis for considering the new plant a person not receiving central station service so as to authorize the making of a loan, or the use of loan funds under section 4 of the REA Act for the purpose of constructing facilities to furnish electric service to the new plant. We advised the Secretary that unless he recovered from Cipco the amount advanced to construct the Lehigh tap, we would be required to report the matter to Congress.

By letter dated August 7, 1958, the Acting Secretary of Agriculture requested that we reconsider our letter of July 21, 1958. Among other things he advised us that REA has kept the Congress fully

informed of its activities over the years, and indicated that the Congress acquiesced in REA's making loans for the purpose of serving any unserved persons; and that it has been REA's uniform administrative practice over the past 22 years to make loans to bring electric service to all unserved persons in rural areas, and reiterated that this had been so without regard to the "availability" of service from other sources.

(For letter referred to above see p. 13.)

Mr. KELLER. By letter, dated October 15, 1958, to the Secretary of Agriculture, we clarified our letter of July 21, 1958. We advised the Secretary that we contemplated only situations where the unserved person was located, in effect, on, i.e., alongside of, existing power lines, and the owner of the lines was ready, willing, and able to furnish adequate central station service at a reasonable price. We also reiterated our view that under the facts and circumstances in the instant case, there was little basis for considering the new plant of Lehigh a person not receiving central station service. We then stated that the long-continued administrative practice, as reported by the Acting Secretary, if carried on with congressional knowledge, would tend to support the Department's position or, at least, indicate congressional acquiescence in the practice followed by the Department.

Therefore, we advised the Secretary that we would take only such action as might be necessary to insure congressional knowledge of REA's interpretation of the act and the practices followed by including the matter in our next audit report to the Congress on REA activities for whatever action the Congress might deem appropriate; and that no action need be taken by the Department to recover back the \$120,000 before it fell due.

(For letter referred to above see p. 22.)

Mr. KELLER. By letter dated October 29, 1958, the Acting Secretary of Agriculture transmitted for our information the Department's analysis of the points made in our letter of October 15, 1958, and again advised that the Department disagreed with our conclusions in the matter.

(For letter referred to above see p. 35.)

Mr. KELLER. By letter dated December 8, 1958, we again advised the Secretary of Agriculture that under the facts and circumstances we would take no action to recover the specific loan under consideration, and would not attempt to recover any future similar loans or take any other action concerning the present administrative practice of REA in the absence of an expression of congressional intent to the contrary.

(For letter referred to above see p. 41.)

Mr. KELLER. I think, Mr. Chairman, that summarizes our position on this case, and on Senate Resolution 21.

I think there is a very honest difference of opinion between the General Accounting Office and the REA on the interpretation of the REA Act, and we all have differences of opinion at times, but I do want to make one thing quite clear.

As a result of this case there have been some indications that the General Accounting Office might be for private power and against public power. I want to make it clear that we are not concerned with that matter. It is our job to examine the Government's fiscal trans-

actions, and to see that they are carried out in accordance with the laws enacted by Congress, and the intent of the Congress.

Senator HOLLAND. Well, there are two matters on which I think your statement requires considerable amplification.

First is your statement that in your letters you stated to the Department of Agriculture and REA that in your opinion the legislative record—let me quote from the opinion—

the legislative history of the central station service limitation, sections 2 and 4 of the REA Act, disclosed that its purpose was to exclude loans of the type involved.

What is the basis contained in that legislative history of the act that brings you to that conclusion?

Mr. KELLER. Our basis, Mr. Chairman, is fully set forth in our letters of July 21, 1958, and October 15, 1958. I will be glad to go over them.

Senator HOLLAND. Of course, you were writing then, and you are testifying now, and the thing I wanted you to do is to point out to this committee the details in the legislative history which, in your opinion, supported the conclusion that the legislative history excluded this type of loan from service by REA.

I think that is the meat of your position.

Mr. KELLER. That is correct, sir.

Senator AIKEN. We agreed yesterday to have these documents put in the record.

Senator HOLLAND. Off the record.

(Discussion off the record.)

Senator HOLLAND. On the record.

Senator AIKEN. Mr. Keller, I notice that you refer to a letter written October 10, 1957, by the Iowa-Illinois Gas & Electric Co., calling your attention to the loan of \$11,173,000 to CIPCO, although this loan was by the REA Act.

Is there any explanation of why there was a delay of 2 years in reporting this loan which they apparently thought should not have been made?

Mr. KELLER. Not to my knowledge.

Senator AIKEN. And no explanation has been given for that delay?

Mr. KELLER. No. Perhaps the company can answer that question. But I know the company was in court and the question came up as to their right to sue or bring an action.

Senator AIKEN. Also, when was the offer of Iowa-Illinois to furnish electric power to Lehigh made? Wasn't it a considerable time after the REA had made the loan for the same purpose? Did they furnish you with the rates and terms under which they would furnish the power only by submitting a copy of a letter dated May 19, 1955?

Mr. KELLER. Yes, sir; according to a copy of a letter that was submitted to us by Iowa-Illinois. The letter is dated May 19, 1955, addressed to Lehigh Sewer Pipe & Tile Co., attention Mr. Joe A. Bryant, vice president and general manager, signed by L. W. Laughlin, chief electrical engineer, on the letterhead—

Senator HOLLAND. Just a moment, is that letter in the record?

Mr. KELLER. Not to my knowledge.

Senator HOLLAND. Is that letter in the record?

Mr. RATHBUN. It is, Mr. Chairman, it is an attachment to exhibit D to Mr. Whitmore's statement.

Senator HOLLAND. Thank you.

(For letter referred to above see p. 72.)

Senator AIKEN. Does the letter set forth the rates and terms upon which power was to be furnished?

Mr. KELLER. In my opinion it does, but I am not an engineer.

Senator HOLLAND. Off the record.

(Discussion off the record.)

Senator AIKEN. With the attorney for the Iowa-Illinois Co. here, I wonder if he could tell us, Mr. Chairman, why the complaint was not made at the time instead of 2 years after the loan had been made.

Senator HOLLAND. I suggest that just as soon as this witness is through here, that we call the counsel, and then you can ask any questions you think are appropriate.

All right, Mr. Keller.

Mr. KELLER. Referring back to your question as to the legislative history on which we based our interpretation of the act, I refer you to page 5 of our letter of July 21, 1958, wherein we state:

* * * the following statements made on the floor of the House and Senate during debate on the bill which became the Rural Electrification Act of 1936, as they appear in the Congressional Record, volume 80:

"Mr. McNARY. I have my own idea."

Senator HOLLAND. Just a moment, I think I have the wrong letter. There are several letters here all bound up together, and I am trying to follow this.

Mr. RAMSEY. July 21.

Senator HOLLAND. All right, proceed, sir.

Mr. KELLER. I am quoting—

Senator AIKEN. The Department of Agriculture did come back with other material.

Mr. KELLER. Yes, sir.

Senator AIKEN. This is all in the record, and it was put in the record yesterday.

Mr. KELLER. Yes, sir; it is in the record.

Senator HOLLAND. It is in the record. All right, go right ahead, sir.

Mr. KELLER. I am quoting from page 5:

Mr. McNARY. I have my own idea as to the interpretation and definition of the expression "electrification of rural areas not receiving central-station electric light and power service." What interpretation does the Senator place upon that language? Could he illustrate it?

Mr. NORRIS (author of the bill). That means, as I understand, and as I think the present administration is now doing, *that there will not be set up an organization and money loaned to it for the purpose of electrifying a rural area which is now supplied*. There are now, of course, a large number of rural districts already supplied with electricity from central power stations. * * * [Emphasis added.]

Mr. McNARY. We probably are together generally, but under the language used, it seems to me, *where a plant is now in existence which is adequately supplying a certain area with electricity*, none of the money provided by the bill could be used for that purpose. [Emphasis added.]

Mr. NORRIS. That is as I understand it.

* * * * *

Mr. McNARY. I think we want a definite meaning fixed, because I think it is an important proposition. The prohibition would relate to a central station furnishing light and power in an area that is now enjoying adequate service. Is that the Senator's interpretation?

Mr. NORRIS. Yes (80 Congressional Record 2751, pt. 3).

* * * * *

Mr. NORRIS. The Senator says "come in competition." They would not come in competition with farms already supplied. They might come in competition with the central power station.

Mr. KING. That is not my question.

Mr. NORRIS. There is no intention of going into a farming community which is already supplied with electric current and forming farm organizations there and having them built up to go into competition, as the Senator suggests, with farmers who are already getting their electric current from a central station (80 Congressional Record 2752, pt. 3).

* * * * *

Mr. KING. * * * *I may say that my understanding of the bill was that its primary and only purpose was to take care of farmers who did not have electrical facilities.* [Emphasis added.]

* * * * *

Mr. WALSH. That infers, of course, that there is no competition with any existing private or municipal plant.

Mr. NORRIS. Yes.

* * * * *

Mr. WALSH. That is what I understand to be the main purpose of the bill; that in rural sections where private enterprise has not undertaken to furnish light or where a municipality has not done so, there will be opportunities given for groups of individuals, or, as the Senator says, in some cases a town or municipality itself, to set up in such rural sections units for lighting purposes (80 Congressional Record 3305, 3306, pt. 3).

* * * * *

Mr. RAYBURN. May I say to the gentleman that we are not, in this bill, intending to go out and compete with anybody. By this bill we hope to bring electrification to people who do not now have it. This bill was not written on the theory that we were going to punish somebody or parallel their lines or enter into competition with them. It was our thought that in the States where electricity is now generated and distributed the laws of that State would control the rates. *May I say further that the Rural Electrification Administration will have nothing whatever to do with the rates that may be fixed in these communities, for the simple reason that matter will be controlled by State law* (80 Congressional Record 5583, Pt. 5). [Emphasis added]

We have additional material, Mr. Chairman, in our letter of October 15—

Senator HOLLAND. Please concentrate that or condense that with the statement you have already made, because we want the record to show just that part of the legislative history upon which you are basing your conclusion.

As I understand it, you have already placed part of that history in your testimony. If there are other matters which support the same conclusion, other matters in the legislative history, I think this is the time to put them in.

Mr. KELLER. Yes, sir.

Senator HOLLAND. Please tell us in advance where it is so that we can follow you.

Mr. KELLER. Now our letter of October 15, 1958—

Senator SCHOEPEL. October 15, you said?

Mr. KELLER. Yes, sir. Beginning on page 5.

Senator HOLLAND. That is about three-fourths of the way back in the file.

Mr. KELLER. Yes, sir.

Senator HOLLAND. Do all the Senators have that item?

Senator AIKEN. Beginning with Mr. McNary?

Mr. KELLER. Yes, sir. Now, as a matter of background, before I go into this, Mr. Chairman, the Department, after we rendered our

decision of July 21, came back and said, in effect, "We think you are wrong. We think there were certain parts of the legislative history that you omitted which would result in a different interpretation."

I would like to read the portion of our reply of October 15, 1958, which deals with that particular area.

Beginning on page 5 from our letter of October 15:

Your Department contends that certain portions of the debate in the Senate, which we omitted from our letter of July 21, change the sense of the debate and indicate authorization to serve unserved persons in area purportedly served by another supplier. One of the omitted portions reads as follows (80 Congressional Record 2751, pt. 3):

"Mr. McNARY. I agree with that, but, supposing that some *central station by the construction of distribution* lines and transmission lines could supply the energy needed in a given area, could the money be used for that purpose?

"Mr. NORRIS. If I understand the Senator's question correctly, it is supposing some locality being now supplied from a central station, might it be possible for that central station to *extend its lines further*; and would the Government agency be prohibited from entering that territory? If that is the question, I think not." [Emphasis added.]

Senator HOLLAND. Just a moment. I think that is the answer to the question, Could the money be used——

Mr. KELLER. We interpret Mr. Norris answering his own question——

Senator HOLLAND. It is the answer to the question raised by Senator McNary, Could the money be used for that purpose, and the answer says, "If that is the question, I think not."

All right.

Mr. RAMSEY. Mr. Chairman, I believe that may be the wrong interpretation. I believe that what the Senator was asking was whether they were prohibited from using the money for that purpose, and Mr. Norris says, "I think not."

This is some of the legislative history that points to the contrary that was cited to us by the Department of Agriculture.

Mr. KELLER. Continuing to read from our letter of October 15:

We do not feel that the above quoted colloquy——

Senator HOLLAND. What page is that?

Mr. KELLER. Page 5, sir——

requires a different conclusion than as indicated above; that under sections 2 and 4 of the Rural Electrification Act loans may not be made for the purpose of furnishing electric energy to persons located on, i.e., adjacent to, powerlines (powerlines running alongside of or to their property), the owner of the powerlines furnishing adequate central station service to other persons located on the lines at reasonable price and being ready, willing, and able to furnish the same to these unserved persons. As we understand it, Senator McNary was asking whether or not a loan might be made to furnish electric energy to a person not receiving central station service when an existing central station *by the construction of distribution and transmission lines* could supply the energy needed in a given area to furnish such person central station service. As we understand Senator Norris' reply, he said, in effect, that if the question is whether in the case where an existing central station is supplying some locality and that by *extending its lines further* it would be possible to *serve more of the general area or locality*, would the Rural Electrification Administration be prohibited from making a loan to furnish electricity to unserved persons to which it might be possible for the central station to *extend* its lines to serve. He thought not. Our letter of July 21 as indicated above was not intended to imply that a loan could not be made to furnish power to unserved persons in an area where existing central stations could *by extending their lines* furnish central station service to such persons. However, we do not be-

lieve that Senator Norris' reply to Senator McNary's question was intended to indicate that a loan might be made to furnish an unserved person where the existing central station was willing and able to furnish such service to the unserved person and could do so *without extending its lines* and would do so at a reasonable price. [Emphasis added.]

Senator AIKEN. Do you mean without extending its lines, or without rebuilding its lines?

Mr. KELLER. We are talking about an extension, sir.

Senator AIKEN. Suppose that the person who was furnishing the service, in order to meet the new requirements had to rebuild their lines? Would that come into consideration, or was it a new line in either case?

Mr. KELLER. I think perhaps it would depend on the facts. A rebuilding could be an extension before you got through.

Senator AIKEN. Then another question:

Was it determined that the railway company was, in fact, furnishing central station service, or was the railway buying from somebody else and reselling? Was it central station service they were getting?

Mr. KELLER. It is my understanding that the railway operated their own generators.

Is that correct, Mr. Ramsey?

Mr. RAMSEY. That is my understanding.

Mr. KELLER. In fact, at least in some of their correspondence they indicated they would have power available, particularly because of the fact they had recently converted to diesel locomotives; therefore, they probably had some surplus power.

Senator HOLLAND. You mean diesel generators, or diesel locomotives?

Mr. KELLER. Locomotives.

Senator AIKEN. Is a portable diesel generator considered central station power?

Senator HOLLAND. You said they had converted to another type of locomotive.

Mr. KELLER. In the letter of October 4, 1955, from the railway company, it was stated:

"Our railroad"—I can put the whole letter in the record.

Senator HOLLAND. Without objection, the whole letter referred to will be placed in the record.

(The letter referred to is on page —.)

Senator HOLLAND. Now read the part.

Mr. KELLER. "This proposal confirms our discussion in your office on September 28, 1955, relative to 60-cycle power supply to your proposed new plant south of Lehigh, Iowa." Under paragraph 2(a) the letter says:

"Our railroad was completely dieselized on August 1, 1955, which has released powerplant capacity for new loads."

Senator HOLLAND. Well, that doesn't mean——

Mr. KELLER. That means locomotives.

Senator HOLLAND. If I understand that statement, it doesn't mean at all or suggest that they were furnishing the power from diesel locomotives, but it states that since the locomotives were now diesel ones, that they didn't need to use the electric power which they were formerly using for the movement of trains, and that gave them excess power.

Mr. KELLER. That is my understanding.

Senator HOLLAND. Is there any error in my interpretation thereof, and if so, please correct me.

Mr. KELLER. Not as to my understanding.

Senator ELLENDER. I think the record also shows that the people who bought from the railroad had bought it a year before, over a year before this thing happened. Am I correct in that? That was the testimony.

Mr. KELLER. I think it was purchased in March 1956.

Senator ELLENDER. In other words, the lawyer who testified here yesterday for the electric company was contending that this loan shouldn't have been made, stated that they had purchased the facility of the railroad company a year previously.

Senator HOLLAND. You mean purchased the power facility?

Senator ELLENDER. Yes; purchased the power facilities, that is what I am talking about. I thought that was the subject.

Senator HOLLAND. That is what we are talking about.

Senator ELLENDER. They were using that and they were servicing the concern there, what was the name of it?

Senator HOLLAND. Lehigh.

Senator ELLENDER. There was an addition to this facility. The REA came in and on that basis the loan was made to them.

Mr. KELLER. There was a difference in the cycle of the service to be furnished.

Senator AIKEN. Mr. Chairman, in view of this colloquy, it seems to me that perhaps the incident which I reported off the record a few minutes ago ought to go on the record, and that is the case where the REA had run a thin line at no profit, probably some loss, to be charged to the other members into a certain sparsely settled area. A development came in there which promised to use a good deal of electricity. The nearest local power company made a contract to supply that electricity in territory which would normally have been served by the REA.

The only right-of-way was owned by the REA and that was the only way the power company could get in there. The REA refused to sell them their right-of-way so they could go in and pick off the profitable customers.

Thereafter, the power company moved a motor in there and, I suppose, at a very high cost, furnished the electricity to carry out their contract. I believe they have made subsequent arrangements, and have paid the REA their price and got a right-of-way since, as I understand it.

But what I want to make clear and have understood is whether a corporation can move into an REA territory with a portable diesel plant and have that considered as central power or not.

Senator ELLENDER. You mean as in this case?

Senator AIKEN. Whether it is a railway locomotive or whatever it is to generate that power. I think that is important.

Senator ELLENDER. Well, Senator, as I understood, I heard the witness yesterday, he said that he was furnishing electricity there for over 5 years, that is, his concern.

Senator AIKEN. That is right.

Senator ELLENDER. They were furnishing to this establishment and many others, and that the REA came into the picture by building a special line solely to serve this new facility there, and that was the basis on which they were allowed this money, because it was a new concern, and even though the people who were there, who could have furnished the electricity, notwithstanding that REA came in.

Senator AIKEN. But the people who were there, as I understand it, could not have furnished the electricity in the quantities and manner which the company had to have without revamping their system. Whether they were building new lines or whether they put in new equipment or what, I don't know. But I think it is important to determine whether a utility company can move a portable outfit into an area and call it central service.

Senator HOLLAND. Certainly, in my opinion, that would not be regarded ever as central service.

Let the witness here testify.

Mr. KELLER. I would think not.

Senator ELLENDER. Is there truth in the fact that this facility was in operation a year before this new facility was built that gave the ground for REA to come in to furnish the electricity?

Mr. KELLER. As I understand it, Senator Ellender, the Lehigh Pipe, one of their plants, had been in operation for some time——

Senator ELLENDER. Yes.

Mr. KELLER. Lehigh had been furnished 25-cycle central station service by the railway.

Now, Lehigh proposed to put up a new plant, approximately 160 feet away, and that is when the negotiations went on, apparently, both with REA and the railway company. 60-cycle service was required.

According to our records, the railway company did offer to furnish 60-cycle service, although they would have to make some alterations to their lines and to their equipment to furnish that type of service.

Senator ELLENDER. What was your reason for declaring this to be illegal?

Senator HOLLAND. If you will allow me to break in, Mr. Chairman, I think before you came in we had asked him to cite his reasons for that, and he read them out of the Congressional Record debate fully.

We are perfectly willing for that to be again explored, but it was fully entered into the record.

Senator ELLENDER. That is all right.

Senator AIKEN. There is one other important angle to this. The Comptroller General bases his reason on a colloquy taking place between Senator McNary and Senator Norris, as I understand it.

Mr. KELLER. In part, that is correct.

Senator AIKEN. What weighting was given to the fact that for 20 years or more the practices of the REA in this respect had gone unchallenged?

Mr. KELLER. That, of course, was not overlooked. However, I will say, that after the Department of Agriculture replied to us in August, where they made a very firm statement that it had been the interpretation of the act over the years, that the Congress was well aware of the interpretation, and had acquiesced in this interpretation, that we said, "All right, you need not collect the loan back, but we feel that we

should report to Congress to make sure the Congress understands the way REA is interpreting the act."

Senator AIKEN. Did you consider that your letter in December to the Department of Agriculture reversed the opinion given in the earlier letter—I can't find the date here—of July 21, 1958, where you told the Department that the loan was illegal? Then on December 8 you further advised that you would take no action on the loan or similar loans.

Did you consider that as a reversal of the opinion of July 21?

Mr. KELLER. I will answer that this way, Senator Aiken, our decision of July 21, as modified by our letter of October 15, is still our interpretation of the act.

As I have said, the Department has made a very good case as to the interpretation of the act since 1936, and has very firmly and clearly stated that Congress is aware of the interpretation by REA. Our position is that we feel we do have a duty to report this type of transaction to the Congress, but in the absence of an action by the Congress saying, in effect, that REA's interpretation is wrong, we would not take any action on this loan or on similar loans.

Now, the second was included because of the representations which were made that our decisions cloud many of the loans made in the past and will affect future loans.

We feel that we have interpreted the act properly, but we feel also there is room for differences of opinion.

Senator AIKEN. Your decision that you will not undertake to collect this or similar loans pending an interpretation by the Congress, as stated in your letter of December 8, is also subject to revision at any time, isn't it?

Mr. KELLER. Well——

Senator AIKEN. Or some future Comptroller General might say, "Well, we are going ahead and demand that these loans be paid back."

Mr. KELLER. I would have no hesitancy in saying as far as the present Comptroller General is concerned, whom I consulted, there would be no revision. Of course, I could not speak for a future Comptroller General.

Senator SCHOEPPPEL. I did not hear the last, please.

Mr. KELLER. I cannot speak for a future Comptroller General.

Senator SCHOEPPPEL. That is right.

Senator AIKEN. I don't think the present Comptroller General would go back on that statement, either. But after he has had experience enough on the job, he may decide to take another job and we may get a new Comptroller General.

Mr. KELLER. Well, the important statement in our letter of December 8 is we are not going to take any action on this loan——

Senator AIKEN. Or previous loan—but you do not say you would not take action against loans which might be made from now on. Does that include those?

Mr. KELLER. I think it is pretty clear we do.

Senator AIKEN. You do?

Mr. KELLER. May I read that particular sentence, Senator?

Senator AIKEN. All right.

Mr. KELLER (reading) :

Under these circumstances, we will not attempt to recover any future similar loans,——

Senator AIKEN. I see.

Mr. KELLER (continuing) :

Nor take other action concerning the present administrative practice in the absence of an expression of congressional intent to the contrary.

Senator AIKEN. That is perfectly clear, I would say.

That is all.

Senator HOLLAND. I think that is clear.

Is your testimony completed?

Mr. KELLER. Yes, sir.

Senator HOLLAND. Senator Talmadge.

Senator TALMADGE. Let me see if I can get this in perspective. I have been trying to attend two committee meetings at once, and have heard only a portion of the testimony.

It is the contention of the Comptroller General's office that this loan was illegally made because this industry was already served by an existing power company.

Mr. KELLER. Yes, Senator; that is essentially correct. There are two problems, one, as to whether REA can serve an unserved person regardless of any circumstances. In other words, taking an extreme case, you have an unserved person or plant, that is covered on the four sides by existing powerlines owned by private companies. Can REA run a central line right into that person or plant regardless of the circumstances?

The second question is a factual situation as to whether the Lehigh plant in this case was in reality an unserved person, since Lehigh was receiving central station service, at 25 cycles, and the utility that was furnishing the service made an offer to furnish 60-cycle service which they needed for their plant.

We thought, and think, factually, that Lehigh is not an unserved person under the act.

Senator TALMADGE. As I understand it, they needed to build a new plant, did they not?

Mr. KELLER. Yes, sir, they needed to do that.

Senator TALMADGE. Adjacent to or contiguous to the old plant?

Mr. KELLER. As I understand it, it is 160 feet away.

Senator TALMADGE. At that point their need for power was different from the existing power they had previously received.

Mr. KELLER. That is right.

Senator TALMADGE. In other words, they wanted to have an increase from 25-cycle, to 60-cycle power?

Mr. KELLER. That is correct, Senator.

Senator TALMADGE. The private utility was unable to furnish the 60-cycle power, is that the situation?

Mr. KELLER. According to our records, they made an offer to furnish 60-cycle power.

Senator TALMADGE. They made an offer to furnish 60-cycle power after the company told them that would be the basis of their needs?

Mr. KELLER. Yes, sir.

Senator TALMADGE. What happened at that point?

Mr. KELLER. There were negotiations being carried on by Lehigh with both the railway company, that is the private utility, and with the cooperative. Offers were made by the railway company to furnish 60-cycle power. Also offers were made by the cooperative.

Senator TALMADGE. Wait a minute. Did the company reject the offer of the private utility?

Mr. KELLER. Well, I assume they did. I don't have a record of it, but they didn't take it.

Senator TALMADGE. Do you know on what basis they rejected it?

Mr. KELLER. I can't be sure, Senator, but I assume that the rate was too high.

I have just been advised that Lehigh felt that on the basis of the rate they felt they couldn't produce products at a competitive price.

Senator TALMADGE. Then, at that point, it became a competition for electrical power rates, did it not?

Mr. KELLER. I would think so; yes, sir.

Senator TALMADGE. Was the loan of the REA pending at the time this negotiation was going on, or subsequent thereto?

Mr. KELLER. The loan was originally approved by REA on September 9, 1955, but it was not until June 1956 that the "Lehigh Tap" was approved.

Senator TALMADGE. When did the need for 60-cycle power arise?

Mr. KELLER. Sometime prior to that date, at least the plant was scheduled to be built or was under construction.

Senator TALMADGE. Was the application of the REA loan filed subsequent to the need for the 60-cycle power in that area?

Mr. KELLER. I do not know the date the application for the \$11 million loan was filed.

Senator TALMADGE. Was the loan granted for the purpose of serving only this one user, or did it also involve other elements?

Mr. KELLER. Well, it was a part of a loan made by REA to the Central Iowa Power Cooperative in the amount of \$11,173,000. A part of this loan, approximately \$120,000, was for the purpose of including a line into the Lehigh plant.

Senator TALMADGE. And the GAO's position or objection is only predicated on the \$120,000 of this \$11 million loan?

Mr. KELLER. That is correct, sir.

Senator TALMADGE. Because you contend that it was to serve a customer then served, in the terms of the act, by an existing utility company?

Mr. KELLER. Yes, sir.

Senator TALMADGE. I think I understand the situation now. Thank you very much.

Senator HOLLAND. I suggest unless there is objection, that the letter of December 8 also be included in the record.

May I ask this, and I hope the committee will follow this: I hope that all persons of interest in this matter check the correspondence that has been submitted with the idea of seeing whether there is anything in the negotiations that is covered by correspondence that has not been admitted to the record, and if they find any such item, that they put it in so we will have the whole story in the record.

Is there any objection to that?

Senator AIKEN. Here is another thing, Mr. Chairman, this letter of the Fort Dodge, Des Moines & Southern Railway to the pipe and tile company of May 19, 1955, is in the record. That sets forth the terms and rates and service charges and the fact that they would have to rebuild 14 miles of line.

I think perhaps we should have the rates which the REA finally put the power in there for included in the record, also, with a statement from the REA Administrator so that a comparison will be available.

Senator HOLLAND. If that is not already in the record in the shape of correspondence, or in the testimony of Mr. Hamil, or otherwise, the committee requests that it be placed in the record by Mr. Hamil as Administrator.

Is that agreeable to the committee?

Senator SCHOEPEL. Yes. I think that would be pertinent, very much so, by reason of the fact that there was a negotiation, apparently, on the basis of what the rates would be or how they could serve. (The information requested above is as follows:)

The November 25, 1955, contract between Greene County Rural Electric Cooperative and Lehigh Sewer Pipe & Tile Co. established the following rate schedule for the service:

RATE SCHEDULE LP-1

A demand charge of \$2 per month per kilowatt demand, plus energy charges of—
1 cent per kilowatt-hour for the first 100 kilowatt-hours used per month per kilowatt demand, and, 0.7 cent per kilowatt-hour for the remaining kilowatt-hours used per month; and a minimum charge of \$500 per month.

The contract listed various monthly bills based on an assumed monthly kilowatt demand of 1,000 kilowatts as follows:

Kilowatt-hours	First million at 1 cent	Over 100,000 at 7 cents	Demand charge	Total bill
0.....				\$500
50,000.....	\$500		\$2,000	2,500
100,000.....	1,000		2,000	3,000
150,000.....	1,000	\$350	2,000	3,350
200,000.....	1,000	700	2,000	3,700
300,000.....	1,000	1,400	2,000	4,400

The contract includes a provision for semiannual adjustment of demand and energy charges to reflect increases or decreases in the wholesale cost to the cooperative from its power supplier at the substation at the Lehigh plant site for power and energy during the preceding 12-month period. The adjusted charges apply to power and energy sold during the succeeding 6-month period.

Senator AIKEN. The railway's terms are set forth in a letter which was put in the record yesterday.

Senator SCHOEPEL. I see.

(For letter referred to above see p. 72.)

Senator AIKEN. But the question which arises is whether an offer to serve at a rate which the tile company might consider prohibitive, in fact, an offer to serve——

Senator HOLLAND. Off the record.

(Discussion off the record.)

Senator HOLLAND. Senator Schoepel.

Senator SCHOEPEL. I have no further questions. Sorry I was not here at the beginning.

Senator HOLLAND. Senator Ellender.

Senator ELLENDER. I have no further questions.

Senator HOLLAND. Senator Aiken.

Senator AIKEN. No.

Senator HOLLAND. Thank you, Mr. Keller.

(The prepared testimony of Mr. Keller is as follows:)

Mr. Chairman and members of the subcommittee, we appreciate the invitation to appear before your subcommittee on Senate Resolution 21, which, in effect, would indicate the sense of the Senate is that Rural Electrification Act of 1936, as amended, should continue to be interpreted to authorize the making of loans for the construction of facilities to bring electric service to persons who are in fact not receiving central-station service, and to continue to serve those presently being served, in accordance with letters of the Acting Secretary of Agriculture of August 7, 1958, and October 29, 1958, to the Comptroller General.

At the outset we wish to say that we have no objection to the approval of Senate Resolution 21. It would clarify a difference of opinion existing between our Office and the Department of Agriculture on the interpretation of the REA Act. Our letters to the Secretary of Agriculture pertaining to this matter, particularly those of October 15 and December 8, 1958, stated quite clearly that the only action we proposed to take in connection with the loan in question, and the interpretation of the REA was to report the matter to the Congress for whatever action the Congress might consider appropriate. In fact, we advised the Secretary of Agriculture we would take no other action in connection with the particular loan that was considered, or any action on future similar loans in the absence of an expression of congressional intent to the contrary.

The decisions of the Comptroller General resulted from a loan made by the Rural Electrification Administration (REA) to the Central Iowa Power Cooperative (Cipco). By letter dated October 10, 1957, the Iowa-Illinois Gas & Electric Co (Iowa-Illinois) called our attention to a loan of \$11,173,000 to Cipco. This loan was approved September 9, 1955, by the Acting Administrator of REA. The loan was for the purpose of financing the construction by Cipco of certain electric generation and transmission facilities, including 20 miles of line designated as the "Lehigh tap" at an estimated cost of \$120,000. The primary purpose of the Lehigh tap apparently was to enable Cipco to furnish one of its member cooperatives, Greene County Rural Electrification Cooperative (Greene County), a supply of power for a large power load—proposed new plant of Lehigh Sewer Pipe & Tile Co. (Lehigh)—in the vicinity of Lehigh, Iowa.

Lehigh already had a plant that was being furnished 25-cycle electric service by the Fort Dodge, Des Moines, & Southern Railway Co. (Railway)—the predecessor of Iowa-Illinois—at the time the loan to Cipco was made. Prior to the making of the loan Lehigh decided to build another building or plant on the same tract of ground approximately 160 feet away from its existing plant and operate both plants as separate entities, although to a certain extent using common facilities. Lehigh contemplated using machinery in the new plant which would require 60-cycle electric service. Railway by letter dated May 19, 1955, and again orally on September 28, 1955 (confirmed by letter dated October 4, 1955), offered to furnish Lehigh 60-cycle electric service for its proposed new plant. Lehigh did not accept such service from Railway on the ground that the rate quoted by Railway would prevent Lehigh from producing its products at a competitive price. Apparently during the same period Lehigh entered into negotiations with Greene County for 60-cycle service and subsequent to the date of the loan (September 9, 1955) entered into a contract with Greene County for such service for its new plant.

Greene County in October 1955 submitted for REA approval a contract for electric service between it and Lehigh. Also, Cipco submitted plans and specifications providing for construction of the Lehigh tap to serve Greene's new substation. It appeared that the proposed electric service to Lehigh was the principal justification for the transmission line tap and new substation. As indicated above, the funds (\$120,000) for construction of this line were included in the \$11,173,000 loan made by REA to Cipco on September 9, 1955. It appears from the record that the power contract was returned to Greene without approval in November 1955 and that REA approval to construct the transmission line and substation was also withheld. Apparently REA withheld approval of the power contract for construction of the Lehigh tap on the ground that

Lehigh was already receiving central station service from Railway, since, Lehigh at its existing plant was receiving 25-cycle service from that company.

In April 1956, Greene County and Cipco again requested approval of a contract for electric service between Greene County and Lehigh and apparently REA approval to use \$120,000 of the loan funds to construct the Lehigh tap. The record disclosed that the Greene County-Lehigh power contract was approved in June of 1956, together with the approval of the proposed construction of the Lehigh tap. The basis of the approval was that Lehigh in its new plant was not receiving central station service. Such conclusion was apparently based on certain facts presented by Greene County and Cipco to REA to the effect that the proposed contract contemplated service not to the existing Lehigh plant, nor to an extension of, or addition to, the existing plant but to a completely new, separate, and independent plant.

Iowa-Illinois protested to the Comptroller General the approval of that part of the loan (\$120,000) for the construction of the Lehigh tap upon the ground that Lehigh was receiving central station service at the time the loan was approved.

On October 28, 1957, we forwarded Iowa-Illinois letter of October 10, 1957, to the Department of Agriculture for a report. The Department's report was furnished on December 3, 1957. After consideration of this report, and an additional report dated May 5, 1958, we advised the Secretary of Agriculture by letter of July 21, 1958, that in our view, the legislative history of the central station service limitation (secs. 2 and 4 of the REA Act) disclosed that its purpose was to exclude loans of the type involved. That is, it was intended to exclude loans for the purpose of paralleling existing systems or creating competition with existing facilities. We further stated in that letter that aside from the legislative history we were of the view that where a new building or plant of an industrial company is located approximately 160 feet from an old building or plant of the same company on the same tract of ground and the old plant is receiving central station service from a power supplier who has offered to furnish adequate central station service to the new plant, there appeared little basis for considering the new plant a person not receiving central station service so as to authorize the making of a loan, or the use of loan funds, under section 4 of the Rural Electrification Act for the purpose of constructing facilities to furnish electric service to the new plant. We advised the Secretary that unless he recovered from CIPCO the amount advanced to construct the Lehigh tap, we would be required to report the matter to the Congress.

By letter dated August 7, 1958, the Acting Secretary of Agriculture requested that we reconsider our letter of July 21, 1958. Among other things he advised us that REA has kept the Congress fully informed of its activities over the years and indicated that the Congress acquiesced in REA's making loans for the purpose of serving any unserved persons; and that it has been REA's uniform administrative practice over the past 22 years to make loans to bring electric service to all unserved persons in rural areas, and reiterated that this has been so without regard to the "availability" of service from other sources.

By letter dated October 15, 1958, to the Secretary of Agriculture, we clarified our letter of July 21, 1958. We advised the Secretary that we contemplated only situations where the unserved person was located, in effect, on, i.e., alongside of, existing powerlines, and the owner of the lines was ready, willing, and able to furnish adequate central station service at a reasonable price. We also reiterated our view that under the facts and circumstances in the instant case there was little basis for considering the new plant of Lehigh a person not receiving central station service. We then stated that the long continued administrative practice, as reported by the Acting Secretary, if carried on with congressional knowledge, would tend to support the Department's position or, at least, indicate congressional acquiescence in the practice followed by the Department. Therefore, we advised the Secretary that we would take only such action as might be necessary to insure congressional knowledge of REA's interpretation of the act and the practices followed by including the matter in our next audit report to the Congress on REA activities for whatever action the Congress might deem appropriate; and that no action need be taken by the Department to recover back the \$120,000 before it fell due.

By letter dated October 29, 1958, the Acting Secretary of Agriculture transmitted for our information the Department's analysis of the points made in our letter of October 15, 1958, and again advised that the Department disagreed with our conclusions in the matter. By letter dated December 8, 1958, we again

advised the Secretary of Agriculture that under the facts and circumstances we would take no action to recover the specific loan under consideration and would not attempt to recover any future similar loans or take other action concerning the present administrative practice of REA in the absence of an expression of congressional intent to the contrary.

Senator HOLLAND. Now, the next witness is Mr. Angus McDonald, coordinator of the division of legislative services, National Farmers Union.

Is Mr. McDonald here?

Mr. McDONALD. Yes, sir.

Senator HOLLAND. Before you testify, Mr. McDonald, Senator Aiken has called my attention to the fact that the committee wished to hear from the counsel for the public utility as to why the timing of the complaint of the public utility was as it was.

Will you identify yourself and let Senator Aiken ask you a question which he has in mind?

STATEMENT OF HENRY T. RATHBUN, REPRESENTING THE IOWA-ILLINOIS GAS & ELECTRIC CO.

Mr. RATHBUN. Yes, Mr. Chairman.

I am Henry Rathbun. My firm, Wilmer & Broun, in Washington, has acted as counsel for Iowa-Illinois Gas & Electric Co. in litigating the loan which is here under discussion. As the chairman appreciates, I did not come here today intending to appear as a witness, rather as an observer, but I am more than glad to answer Senator Aiken's question.

Senator HOLLAND. All right, Senator Aiken, you may proceed to address your questions to this witness.

Senator AIKEN. This loan by the REA was approved in September 1955. The complaint of the Iowa-Illinois Co. was made on October 10, 1957.

Senator HOLLAND. Will you identify the complaint?

Senator AIKEN. I am getting it from the testimony of Mr. Whitmore, on page 3 of his statement:

Being advised that the Comptroller General has statutory obligations to investigate all matters relating to the disbursement, application of public funds, to superintend the recovery of all debts to the United States, and to report to Congress every expenditure and contract made by Federal agencies in violation of law, we decided we should bring the situation to the attention of the Comptroller General.

We did so by a letter on October 10, 1957, which requested the Comptroller General to investigate and consider the matter and to take appropriate action if he found the loan to be illegal.

Now, that complaint was made 2 years after the loan was approved, and I was wondering why the utility company did not complain against making the loan at the time it was made.

Senator ELLENDER. Senator Aiken, would you permit me to try to clarify something here?

You say the loan was made in September 1955.

Senator AIKEN. September 1955, that is right.

Senator ELLENDER. That is a \$11,173,000 loan, but at the same time in November, REA did not approve the use of \$120,000 for this purpose, as I understand it.

Am I correct in that?

Mr. RATHBUN. That is correct.

Senator ELLENDER. That is correct. The REA did not approve the proposed contract with the new Lehigh plant and use of \$120,000 to construct the new transmission line, that was disapproved by the REA in November 1955.

Senator AIKEN. In November 1955?

Senator ELLENDER. Yes, sir; that is right.

Senator AIKEN. Do you have the date there when it was finally approved?

Senator ELLENDER. In June of 1956 the REA approved contract with Lehigh and use of \$120,000 to construct—

Senator AIKEN. That means there was an 18-month instead of a 24-month delay. That was quite a long delay between the actual granting of the loan and the complaint by the utility.

Senator ELLENDER. I just wanted to get the record clear.

Senator AIKEN. I was wondering why they did not complain promptly, or why they did not enter the complaint at the time they must have known that the loan was applied for.

Senator ELLENDER. They knew also that it had been refused, you see, back in 1955.

Senator AIKEN. There was still an 18-month period lapse between the granting of the loan and the complaint.

Senator ELLENDER. I just wanted to get the record clear, because I heard a good deal of the testimony yesterday.

Senator HOLLAND. I think the question is clarified. The witness will answer it as he see fit.

Mr. RATHBUN. Senator Aiken, I am glad to put in the record the timetable regarding the loan and the Iowa-Illinois submission to the Comptroller General.

As you have indicated, the original loan of some \$11 million was first approved on September 9, 1955.

Senator AIKEN. That is right.

Mr. RATHBUN. As Senator Ellender has pointed out, and as I believe was stated in testimony by Department of Agriculture witnesses yesterday, the Greene County Co-op-Lehigh Pipe contract was disapproved by the REA and was returned without their approval in November of 1955.

Subsequently, I believe in June of 1956, the REA reapproved this loan of \$120,000 to construct the Lehigh tap.

On August 28, 1956, the co-op was granted a franchise to construct this line by the Iowa State Commerce Commission.

On August 31, 1956, 3 days later, Iowa-Illinois filed a complaint in the U.S. District Court for the District of Columbia asking for a declaration of its rights and filed a motion for preliminary injunction against carrying out this loan.

That action was filed by Iowa-Illinois on the theory that it was a party adversely affected or aggrieved by an illegal REA loan, and that under the Administrative Procedure Act it had a right to go into court and test the legality of that allegedly illegal action.

The district court denied the motion for preliminary injunction on September 24, 1956, on the ground that a previous decision required it to hold that Iowa-Illinois did not have standing to litigate the legality of the loan in question.

Senator AIKEN. Why did it not have the standing to litigate that?

Mr. RATHBUN. We, of course——

Senator AIKEN. You mean it was not a proper party to bring up that particular case; is that it?

Mr. RATHBUN. That is correct; that a utility company cannot go into the courts of the United States, although concededly they are adversely affected or aggrieved by a loan, to litigate whether or not that loan is within the statutory authority of the act.

Mr. Whitmore testified yesterday that he thought this committee should give serious consideration to amendment of the Rural Electrification Act to provide that this agency should not be permitted to operate without judicial scrutiny of its loans.

Nevertheless, the status of the law today is that a private power company cannot go into the courts of this country, although concededly they are adversely affected or aggrieved, by an REA loan, to test the legality of such loan.

That situation, we submit, should be remedied, sir.

Senator AIKEN. Could the Iowa Utilities Commission have taken the matter to court? They had already, of course, decided in favor of granting the REA franchise, however.

Mr. RATHBUN. That is right. This is not, however, Senator Aiken, a public service commission.

Senator AIKEN. I understand that.

Senator HOLLAND. May I ask a question there?

Senator AIKEN. Certainly, Mr. Chairman.

Senator HOLLAND. Under the decisions which you mention, and the decision in this instant case, is there any proper party to bring the matter into a district court of the United States that has jurisdiction?

Mr. RATHBURN. Under the state of the law as it now stands as a result of decisions of the Court of Appeals for the District of Columbia Circuit, there is no such party.

Senator AIKEN. Then no action could have been taken under the laws of the State of Iowa?

Mr. RATHBUN. I think not, sir.

Senator SCHOEPEL. Was that decision of the district court in this district appealed from?

Mr. RATHBUN. It was, Senator Schoeppel. I was going to come to that.

Senator SCHOEPEL. I see. Go ahead.

Mr. RATHBUN. We promptly filed a notice of appeal, and by decision of February 28, 1957, the Court of Appeals for the District of Columbia Circuit affirmed the ruling of the district court.

We filed a petition for writ of certiorari in the Supreme Court. That petition was filed later in 1957.

I believe that answers Senator Aiken's question as to why it was not until October 10, 1957, that this matter was raised with the Comptroller General. We still hoped to get a determination in the courts.

Senator AIKEN. Well, I am glad, in fact I regard your statement as supporting my own position, that changes in the REA law or program should be effected through legislative action rather than through opinions of the Comptroller General or anyone else.

Senator HOLLAND. I don't think you have clearly stated this, but I understand that you wish the record to reflect that your petition for certiorari is still pending, is that correct?

Mr. RATHBUN. No, sir; our petition for certiorari has been denied. Senator HOLLAND. I see. That should show.

Mr. RATHBUN. I agree.

Senator ELLENDER. When was that denied, and how long thereafter did you apply to the GAO for relief?

Mr. RATHBUN. The situation was this, Senator Ellender, we filed a petition for a writ of certiorari on May 28, 1957. The letter of October 10, 1957, was, in fact, delivered by my office to the Comptroller General on October 14, 1957. That was the same day that the Supreme Court met for the first time that term, and could have been expected to decide whether the petition for certiorari was granted or denied.

The Supreme Court took no action on our petition because, as it turned out, there was pending another case which could have decided this question, and we believed, and I think the events demonstrated we were correct, that our petition was being held pending the determination of this other case.

The other case we cited as a conflict. In that case the second circuit had held that a party adversely affected or aggrieved by the action of a different Federal agency had standing to come into court and contest the legality.

Senator HOLLAND. What was the style of that case?

Mr. RATHBUN. *Panama Canal Company v. Grace Line, Inc.*

The Supreme Court in, I believe, April of 1958, decided the Grace Line case on another ground. It ordered that case dismissed, and the conflict which we alleged was thereby nullified as judicial precedent.

The following week, on May 5, 1958, the Supreme Court denied our petition for a writ of certiorari.

Senator AIKEN. I think the witness answered my question very fully.

Senator HOLLAND. I think the chronology of the matter is pretty well established.

Are there questions from any member of the committee?

Senator TALMADGE. Mr. Chairman, I have one.

Mr. Rathbun, is there any aggrieved or complaining party who could litigate a situation such as this?

Mr. RATHBUN. Under the present state of the law, Senator Talmadge, I think there is not, and may I take this opportunity to urge the members of the subcommittee who were not here when Mr. Whitmore testified, to read his testimony. I realize that the chairman was courteous enough to allow Mr. Whitmore to adhere to his main schedule for getting back to Davenport. It was unfortunate, however, that more members of the subcommittee were not here for his testimony.

In that testimony, Senator Talmadge, Mr. Whitmore urged that this committee give thorough consideration to inserting a provision in the Rural Electrification Act which would provide that a person adversely affected or aggrieved by an REA loan would have standing to go into the courts of this country and ask for a judicial determination as to whether that loan was or was not legal.

Senator TALMADGE. The first thing they tried to teach me in law school about equity was the fact, that there is a right and a remedy for every right. Why doesn't one exist here?

Mr. RATHBUN. For every wrong.

Senator TALMADGE. For every wrong. Why doesn't one exist in this particular situation?

Mr. RATHBUN. We thought we had such a right under the Administrative Procedure Act, which provides—I think I can quote it accurately—that a person adversely affected or aggrieved by agency action within the meaning of the relevant statute is entitled to judicial review.

Now we tried to persuade the courts in the District of Columbia that we were such a person, that the Rural Electrification Act was clearly a relevant statute and that we were entitled to review. Unfortunately that question came up first in an extremely complicated factual situation.

Senator HOLLAND. You mean in another case?

Mr. RATHBUN. Yes, sir; another case. That case is Kansas City Power & Light Co. against McKay.

Senator TALMADGE. Suppose the converse is true now. Suppose I try to build a line in REA territory?

Mr. RATHBUN. If a private company built such a line, it would not presumably, Senator Talmadge, be having the benefit of an REA loan. Therefore, the private company would not be violating the Rural Electrification Act, and I don't think they would have anything to complain about.

Senator TALMADGE. Once REA goes into an area and develops customers and powerlines, would you have a right to go in and compete with them?

Mr. RATHBUN. I think we would, sir; yes. We are getting our money from private sources. We are paying Federal income taxes. If they have some right under statutes relating to unfair competition, they are certainly at liberty to enforce it, but otherwise I don't see that they would have any grievance.

Senator TALMADGE. In other words the only remedy would be the public service commission of the State?

Mr. RATHBUN. That's right.

Senator AIKEN. I think we should point out REA operates in each State under the laws of that State, and the State laws would prevail.

Senator HOLLAND. Do we understand that the law now in effect, as determined by the courts, is that in this field the Administrative Agency, REA, can do no wrong in the matter of deciding what are the proper conditions upon which the loan should be granted in any particular case?

Mr. RATHBUN. That is the State of the law today, Senator Holland. (Discussion off the record.)

Senator HOLLAND. That is the point, as I understand, which was made on the record by Mr. Whitmore's testimony which I did not hear; is that correct?

Mr. RATHBUN. That is correct.

Senator HOLLAND. I don't think we need to put this additional testimony in if that is the case, unless there is a request by any member of the committee.

Mr. RATHBUN. I would be glad to put it in. (Discussion off the record.)

Senator AIKEN. I recall during my first 6 or 8 years in the Senate, Mr. Chairman, we had any number of Administration bills which would be sent up to the Congress, and in each of those bills we would find the statement "the decision of the Administrator shall be final." Then about the time you came here or I guess a little after you came here, and probably you were instrumental in changing it, we started striking out that line.

Senator TALMADGE. Senator, was the purpose of that to preclude judicial interpretation?

Senator AIKEN. Preclude everything except the decision of the Administrator. I am not familiar with that part of the law to which you have referred but I think I would probably find that in other Federal laws if the same situation prevailed.

Senator HOLLAND. I think it followed the old quotation that comes to us from earlier forms of governmental organization that the king can do no wrong.

Mr. RATHBUN. I might say that so far as the courts are concerned at the moment, the REA can do no wrong.

Senator HOLLAND. All right; thank you, sir.

Now we have another witness, Mr. McDonald. All right, sir, go ahead.

STATEMENT OF ANGUS McDONALD, COORDINATOR, DIVISION OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. McDONALD. Mr. Chairman and members of the committee, my name is Angus McDonald and I represent the National Farmers Union. We are appearing here to present the views of the National Farmers Union in regard to Senate Resolution 21, a bill sponsored by Senator Aiken and 13 other Senators, and in regard to a bill introduced by Senator Curtis, which would establish the Rural Electrification Administration as an independent agency.

The National Farmers Union supports without any reservation Senate Resolution 21 which would clarify the Rural Electrification Act and correct an error of the Comptroller General of the United States.

It appears that the Comptroller General in a recent opinion declared that a loan made to an Iowa cooperative was contrary to law and that the cooperative must repay to the U.S. Government the sum of \$120,000 which it had borrowed in order to service a plant in the rural area where the cooperative operated.

The excuse given by the Comptroller General for invalidating this loan was that the private electric power company in the area had offered service to the plant which was not then being served by anyone.

The law seems very clear on this point. Both section 2 and section 4 of the act authorize the Administrator to make loans, the purpose of which is to make possible the furnishing of electric energy" * * * to persons in rural areas who are not receiving central-station service * * *."

It is seen that this language is explicit and gives the Administrator ample authority to make it possible for persons in rural areas to receive electric service from cooperatives regardless of offers made by private electric power companies and regardless of whether such elec-

tric service would be in competition with existing private electric power companies.

The intent of the Congress is made crystal clear by the legislative history of the act. I call attention to a brief for the National Rural Electric Cooperative Association by the firm of Wise & Potamkin which deals with the Comptroller General's letter dated July 21, 1958, to the Secretary of Agriculture.

It appears that the question of competition and the question of whether or not a private electric power company was willing or claimed it was willing to furnish persons in rural areas electric service would in no way prevent the Administrator from making loans to bring service to persons in a rural area who were not being furnished electric service by a private power company.

The brief of NRECA refers to the fact that a part of the facilities owned by the person designated to receive electric service from the cooperative were receiving electric service from the private utility.

The statement is made that servicing a farmer or a plant in a rural area is not dependent on ownership. Many residents of urban areas served by private utilities own and operate farms. It would be absurd to deny such persons service because their residence or farm was served by a private utility.

An individual may own two farms, one of which may be served by a private utility and the other by a rural electric cooperative.

Although the Comptroller General has in part admitted his error by amending his July 21, 1958, letter to the Secretary of Agriculture, he has not retreated from the position that the loan to the cooperative was illegal.

He now wants to get off the limb, apparently by allowing the loan to be repaid on regular schedule and by setting up certain standards which would restrict to some extent the invasion by private electric power companies of rural areas which could be served by rural electric cooperatives.

The issue here, it seems to us, is very clear. The act is clear, the legislative history is clear, and attorneys tell us that the courts have been very explicit on the points raised by the Comptroller General.

There is no need for interpretation according to Justice Sutherland:

Where the intention of the legislature is so apparent from the face of the statute that there can be no question as to its meaning, there is no room for construction.

It is not allowable to interpret what has no need of interpretation.

We, therefore, urge the committee to report favorably Senate Resolution 21.

Mr. Chairman, the remaining part of my statement relates to Senator Curtis' bill, S. 75. I gather that you want to separate the testimony so the reporter could break here.

Senator HOLLAND. If you want to be heard by reading it, I suggest that you wait until later. If you want to just put it in the record, it can be placed in the testimony of that record.

Mr. McDONALD. Yes, sir. You don't want any testimony on S. 75 at this time.

Senator HOLLAND. Not at this time.

(Discussion off the record.)

Senator HOLLAND. We both know that the REA loan permits the service not only of rural homes and establishments that are actually in the country, but also in communities up to communities of 1,500. Supposing a situation under which a community of just under 1,500 was being served by a private utility which had its lines there and which were available to any citizen who would be asking to be tied in, but assuming that one citizen or a group of citizens did not want to tie into that line, and indeed instead applied for REA service, which would require an extension of existing lines to get into that community. What in your opinion would be the situation? Would they be entitled to have the loan granted for the extension of REA lines into that community?

Mr. McDONALD. Yes, sir, I believe under sections 2 and 4 if a person is not receiving central station service, and if he is in a rural area, the REA Administrator has authority to grant a loan which would indirectly give him that service.

Now, as to whether or not—there is one other test, of course, economic feasibility.

The Administrator can't make a loan where he would not be assured of getting the money back with 2 percent interest. But as I understand the law, Senator, the Administrator does have that authority.

Senator HOLLAND. In other words, if there is one citizen in that community that is not really getting service, is unserved, the REA Administrator has the authority to grant a loan to serve him, provided that the system, the REA system, is such as to present, including that loan, a good credit which will pay off the loan.

Mr. McDONALD. If the extension was economically feasible and if the loan satisfied the other requirements I mentioned, the Administrator would have the authority to make that loan to one person. The Administrator would not be required, if I may continue a moment, to make that loan.

The Administrator has administrative discretion, and I am sure in hundreds of cases would refuse to make such a loan in the hypothetical case you suggest. I think in all probability the Administrator would say "This is ridiculous to run a line down just for one person."

But under the law as we understand it, he would have such authority.

Senator HOLLAND. Is the question of economic feasibility related solely to that extension or is it related to the ability of the system with that extension added to carry and pay off, discharge its indebtedness?

Mr. McDONALD. According to testimony you have received here, apparently if the system could absorb this additional loan, then it would be feasible.

Senator HOLLAND. Thank you, sir. Are there questions from any other Senator?

The next witness that I have listed here is Mr. William C. Wise and Mr. Richard A. Dell of the National Rural Electric Cooperative Association.

Mr. DELL. Senator, I will defer to our general manager, Mr. Ellis, who has arrived here.

Senator HOLLAND. We will be very happy to hear Mr. Ellis.

**STATEMENT OF WILLIAM C. WISE, REPRESENTING THE NATIONAL
RURAL ELECTRIC COOPERATIVE ASSOCIATION**

Mr. WISE. Mr. Chairman and members of the committee, my name is William C. Wise. I am a partner in the law firm of Wise & Potamkin, Washington, D.C. I am appearing here on behalf of the National Rural Electric Cooperative Association (known as NRECA) which includes in its membership almost 950 REA borrowers. These borrowers serve almost 4 million rural connections, which represent almost 15 million individuals.

NRECA respectfully urges this committee to report favorably on Senate Resolution No. 21. It is our strong conviction that grave harm will result to the REA program if the resolution is not adopted by the Senate.

When the Comptroller General, in a letter to the Secretary of Agriculture, dated July 21, 1958 (B-134138), set forth the interpretation of the Rural Electrification Act of 1936 which created the need for the enactment of S. Res. 21, NRECA retained our firm as special counsel to study that interpretation and attend a conference with representatives of the Comptroller General.

It is attached to the material you have. And also a copy of a document entitled "An Analysis of Comptroller General's Revised Ruling Relating to the REA Program" which likewise was prepared by our firm.

Senator HOLLAND. Without objection that will be admitted and you may refer to those briefs from your testimony.

(The documents referred to follow :)

BRIEF FOR

**NATIONAL RURAL ELECTRIC
COOPERATIVE ASSOCIATION**

RE:

**LETTER OF COMPTROLLER GENERAL
TO SECRETARY OF AGRICULTURE
DATED JULY 21, 1958**

**WISE & POTAMKIN
Washington D. C.
Attorneys for National Rural
Electric Cooperative Association**

INTRODUCTION

This brief is submitted with reference to the Comptroller General's letter dated July 21, 1958 to the Secretary of Agriculture, bearing No. B-134138, in which it is held that a portion of the loan made by the Administrator of the Rural Electrification Administration to the Central Iowa Power Cooperative, in the amount of \$120,000, "for the construction of the Lehigh Tap was not authorized and steps should be taken . . . to recover immediately . . . the amount advanced to construct the Lehigh Tap". At a conference held on July 30 with members of the Comptroller General's staff it was made abundantly clear that the letter to the Secretary of Agriculture was completely in error and the conclusions reached completely unjustified. The staff has suggested that we submit in writing the arguments and facts which we presented to them.

It must be noted at the outset that there are two separate bases stated in the letter for the conclusions reached: (1) that REA loan funds cannot be used ". . . for the construction of transmission lines and substations to furnish power to an area already served by private power companies when such companies are willing to provide adequate central station service to persons within the area who are not tied to the power lines"; and (2) that the new plant to be served by the cooperative is not a person not receiving central station service. Because at times during our conference there was a tendency to combine discussion of these distinctly separate points and thereby confuse both issues, we want to stress the fact that there is no connection between them. We shall discuss these bases as the separate issues which they are.

PART I

THE COMPTROLLER GENERAL'S HOLDING THAT "IT IS CLEAR FROM THE ABOVE QUOTED STATEMENTS THAT THE PURPOSE OF THE CENTRL STATION SERVICE LIMITATION WAS TO EXCLUDE LOANS FOR THE PARALLELING OF EXISTING SYSTEMS OR CREATING COMPEITION WITH EXISTING FACILITIES BY PROHIBITING THE USE OF LOAN FUNDS FOR CONSTRUCTION OF TRANSMISSION LINES AND SUBSTATIONS TO FURNISH POWER TO AN AREA ALREADY SERVED BY PRIVATE POWER COMPANIES WHEN SUCH COMPANIES ARE WILLING TO PROVIDE ADEQUATE CENTRAL STATION SERVICE TO PERSONS WITHIN THE AREA WHO ARE NOT TIED TO THE POWER LINES" IS COMPLETELY WITHOUT BASIS AND IS ERRONEOUS FROM BEGINNING TO END

1

The unambiguous language of the Rural Electrification Act provides for loans to serve "persons in rural areas who are not receiving central station service," and legislative history cannot be utilized to change the plain meaning of the statutory language.

The language of the provisions of the Rural Electrification Act which the Comptroller General has "interpreted" is completely clear and unambiguous. The identical language appears in both Section 2 and Section 4. Section 2 reads:

"The Administrator is authorized and empowered to make loans . . . for . . . the furnishing of electric energy to persons in rural areas who are not receiving central station service . . ."

Section 4 reads:

"The Administrator is authorized and empowered . . . to make loans . . . for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas who are not receiving central station service . . ."

The Comptroller General's letter admits that this language is clear and unambiguous. It states:

"It may be that literally accepted the terminology of section 4 (and section 2) is sufficiently broad to authorize a loan for the purpose of furnishing central station electric service to a person not receiving such service, even though the service is available to such person and

that the effect of the loan will be to create competition with an existing private utility."

This obviously correct observation by the Comptroller General is followed by the statement that:

"However, in contruing or considering the application of a statute it is permissible to look at its evident spirit and purpose as well as the strict letter of the law and the strict letter must yield to its evident spirit when this is necessary to give effect to the intent of the Congress."

It is true that even when an act is clear and unambiguous, courts will give effect to the evident spirit and purpose of legislation as **that spirit and purpose can be determined from the act itself.** The courts will look beyond the act for spirit and purpose **only** when the act itself, by the incompleteness or ambiguity of its language, indicates a need for so doing. No such need exists in the instant case, as is plainly demonstrated by the Comptroller General's own admission.

The law is clearly established to the effect that legislative history cannot be utilized to change the clear and unambiguous language of the statute.

Sutherland, the foremost authority on statutory construction, states this well-settled principle of law as follows:

"Where the intention of the legislature is so apparent from the face of the statute that there can be no question as to its meaning, there is no room for construction.

"It is not allowable to interpret what has no need of interpretation.

"There is no safer nor better settled canon of interpretation that when language is clear and unambiguous it must be held to mean what it plainly expresses."

Sutherland **Statutory Construction** (3rd ed.) Sec. 4702.

The United States Supreme Court has consistently followed this rule of law, as evidenced by the following cases:

Sturges v. Crowninshield, 4 Wheat. (17 U.S.) 122 (1819); **Rosenman v. United States**, 323 U.S. 658 (1946); **United States v. Rice**, 327 U.S. 742 (1946); **United States v. United Mine Workers of America**, 330 U.S. 258 (1947); **Packard Motor Car Co. v. National Labor Relations Board**, 330 U.S. 485 (1947); **United States v. Public Utilities Commission of California**, 345 U.S. 295 (1953); **United States v. Harris**, 347 U.S. 612 (1954).

Chief Justice Vinson gave short shrift to the practice of hold-

ing that Congress intended something other than what it said, as the Comptroller General has done in this case, in these words:

“... The short answer is that there is no need to refer to the legislative history where the statutory language is clear. ‘The plain words and meaning of a statute cannot be overcome by a legislative history which through strained processes of deduction from events of wholly ambiguous significance, may furnish dubious bases for inferences in every direction.’ **Gemsco v. Walling**, 324 U.S. 244, 260 (1945). This canon of construction has received constant adherence in our decisions.” **Ex Parte Collett**, 337 U.S. 561 (1949)

Thus, it is clearly and definitely **not** permissible to refer to legislative history for the purpose of changing the plain meaning of statutory language. The opinion is therefore not only wrong in its interpretation of the legislative history, as we will later show, but under the established law the Comptroller General did not even have the right in this instance to look beyond the language of the Act itself.

2

The legislative history of the Rural Electrification Act, though not pertinent, is precisely the opposite of what the Comptroller General states it to be and substantiates the decision of the Administrator of REA in every respect.

The Comptroller General's opinion is a most amazing document. Not only is it based upon the legislative history, which as shown above, is not pertinent, but it uses a legislative history that has been developed specially for this case. The most important parts of that history, as set forth in the opinion, are the asterisks (omissions), which appear between carefully selected quotations taken out of context. When these asterisks are translated, when the omissions they represent are supplied, it is found that the effect of the legislative history is in fact the opposite of what the opinion would have us believe.

On the basis of his “version” of the legislative history, the Comptroller General presumes to determine what Congress **really** intended the Rural Electrification Act to mean—and he reaches the startling conclusion that Congress did not mean what it so clearly said.

Thus, we have this most unique situation: the Rural Electrification Act, by the opinion's own admission, is clear and unambiguous, and plainly authorizes loans to serve **persons** in rural areas who are not receiving central station service. There is,

therefore, neither need nor justification to refer to the legislative history. Yet it does refer to the legislative history and, in so doing, carefully omits the controlling items, which when supplied show beyond peradventure of a doubt that Congress intended exactly what it said in the statute.

In substantiation of the foregoing assertions, consider the quotations from a colloquy between Senators McNary and Norris, the author of the bill, which are set forth on page 6 of the Comptroller General's letter. The quotations purport to convey to the reader the real intent of the Senators as to the meaning of the statutory language. Asterisks are used to indicate the omission of apparently unimportant passages. Here is what is omitted:

"MR. McNARY. I agree with that, but supposing that some central station by the construction of distribution lines and transmission lines could supply the energy needed in a given area, could the money be used for that purpose?

"MR. NORRIS. If I understand the Senator's question correctly, it is supposing some locality be now supplied from a central station, might it be possible for that central station to extend its lines further and would the governmental agency be prohibited from entering that territory? If that is the question, I think not."
[80 Cong. Rec. 2751, Part 3]

Part of the discussion represented by the last asterisks appearing on page 6 of the Comptroller General's opinion covers the following statement by Senator Norris:

"The fact is that if we provided in this bill that the rural electrification could not go into any territory that could be potentially held to be within the transmission distance of an existing central power station, it would mean that we probably would continue the conditions which have existed in the past. In many instances, if not in most instances, the central power stations have picked out the cream in a certain locality and have built lines and supplied it with electricity." [80 Cong. Rec. 2751, Page 3] (emphasis supplied)

Then, again, on page 6 and 7 of the letter, after quoting statements which the Comptroller General obviously believes help his position—although, as we shall show, they do not—he quotes right up to the following statements which are then omitted:

"MR. KING. If an organization were formed beyond the 10-mile limit to which I have just referred and within which limit the farmers are supplied with electric energy, that organization would not be permitted to

come back into the 10-mile area to furnish light to farmers already receiving it?

MR. NORRIS. Not to those already receiving it, but it might come into the 10-mile area and supply farmers who were not receiving it. **That is a distinction which I think ought to be drawn.**" [80 Cong. Rec. 2752, Part 3] (emphasis supplied).

It should be noted at this point that all of the Senate discussion quoted above took place concerning Section 2 of the pending bill, which at that time spoke only in terms of service to "rural areas not receiving central station service". Later, Section 2 was amended to conform with Section 4 as reported out by the Committee to provide for service to "**persons in rural areas who are not receiving central station service**". (emphasis supplied) Thus, even before the statutory language of Section 2 was amended to remove any doubt of the Act's intendment the Senate was informed of such intent.

Finally, while explaining the bill section by section later in the day, Senator Norris, when he came to Section 4, said:

"Mr. President, the bill provides that the Administrator is authorized to loan money 'for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas who are not receiving central station service.'

"I think that provision answers specifically some of the questions which were propounded earlier in the day by the Senator from Utah (Mr. King)." [80 Cong. Rec. 2756]

(The questions of Senator King referred to by Senator Norris were the ones involved in the colloquy quoted from above and pertain to the specific question of whether loans could be made to serve in areas where private power companies already exist and are willing to render service. Obviously, Senator Norris meant that the answer was to be found in the use of the quoted words "persons" in rural areas "who are" not receiving central station service. These words had been added by the Senate Committee.)

These omitted statements make it clear beyond argument that Senator Norris intended at all times that REA loan funds could be used to bring service to **any person** in a rural area who was not receiving central station service even though other persons in such **area** were being served by a private power company—and the Senate so understood.

He was most explicit in making the distinction clear that the test to be used was a **person** test and not an **area** test and that

the only limitation on the lending authority was the prohibition against loans to provide service for **persons** who were already receiving central station service.

As a matter of fact, even the selected quotations, read out of context and as stated in the letter, say the same thing. Throughout the selected quotations the distinction is repeatedly made clear that what is prohibited is service to **persons** already being served, and not service in areas where there may be a private company.

Thus, as the opinion itself quotes, Senator Norris said:

"The Senator says 'come in competition.' They would not come in competition with farms already supplied. They might come in competition with the central power station." (emphasis supplied)

This statement, therefore, not only does not support the letter's position but is diametrically opposed to it.

The letter then quotes Senator Norris as saying that "There is no intention of going into a farming community which is already supplied with electric current and forming farm organizations there and having them built up to go into competition, as the Senator suggests, with **farmers who are already getting their electric current from a central station.**" (emphasis supplied)

In view of the part we have emphasized, it is obvious that the only prohibition on loans intended by the sponsors, and accepted by the Senate, was on loans to serve **persons** who are already getting central station service—as the act itself so clearly states.

Other quotations cited in the letter to support the position taken, but which oppose that position are:

"MR. KING. . . . I may say that my understanding of the bill was that its primary and only purpose was to take care of farmers who did not have electrical facilities."

The Comptroller General underlined this statement in his opinion. We agree that it should be emphasized, but we are puzzled that he should supply the emphasis **because it is a clear and flat statement against his position.** We cite it now as further evidence from the legislative history that all unserved **persons** in rural areas were to be benefited by the bill.

Then the opinion quotes Mr. Rayburn, sponsor of the bill in the House:

"May I say to the gentleman that we are not, in this bill, intending to go out and compete with anybody. By this bill we hope to bring electrification to people who do not now have it . . ." (emphasis supplied)

This is the only kind of "competition" Congressman Rayburn intended to proscribe, i.e., service to those already served.

Thus it is clear, from the letter itself, that the legislative history supports the language of the act. Both the direct quotations and the asterisks are in complete agreement with the statutory provisions.

In presenting legislative history as the basis for argument, it is customary to refer to all pertinent parts of the history including hearings, reports, changes in language before final passage and rejection of proposed amendments. We, therefore, now shall direct our discussion to those parts of the legislative history which were completely ignored in the Comptroller General's letter.

In the House Hearing on the proposed bill we find the following testimony by Mr. Cooke, then the Administrator of the temporary REA:

"MR. HUDDLESTON. I am correct, am I not, in saying that the fundamental purpose of this bill is to give electric service to those who now have not that benefit?

"MR. COOKE. Those who do not now have it.

"MR. HUDDLESTON. Yes.

"MR. COOKE. Yes, sir; we have made the practice, absolutely, Mr. Huddleston, of not building any competing lines. Our current only goes to farms and farm homes that do not now have it and where, in a few instances, it has been necessary for us to parallel an existing line in order to reach that market, we have made the rule that no current is to be taken off of that line. In other words, at no point have we competed with existing lines; and I will be glad to know if any member of this committee has heard in any State of a single exception to that." (Hearing before the Committee on Interstate and Foreign Commerce, House of Representatives, Seventy-Fourth Congress Second Session on S-3483, March 12, 13 and 14, 1936, Pages 56 and 57)

Thus we find that in the temporary agency which preceded the statutory REA the practice which the letter says is illegal was well established—and the Congress knew this when the bill was passed.

The other facets of legislative history, i.e., the reports of Committees, the changes in language and the rejection of a proposed amendment, also establish the invalidity of the position of the Comptroller General.

It is elementary that in determining the meaning of a statute—if the statutory language is not clear—the changes made in the bill and the proposed changes which were rejected are of basic importance. And if there were any ambiguity in the lan-

guage in the instant case the history of the bill would completely dispel it.

Senator Norris introduced his bill—S. 3483—on January 6, 1936. In that bill, both Section 2 and Section 4 referred only to service to “rural areas not receiving central station service.” Senate Report No. 1581 on S. 3483, dated January 16 (calendar day February 17) 1936, amended Section 4 by inserting the following emphasized words to provide for service to: “**persons in rural areas who are not receiving central station service,**” but did not change the language of Section 2. Later, on February 24 (calendar day March 4), 1936, Senator Norris again reported on the bill for the Committees and this time Section 2 was also amended to contain the “persons in rural areas who are not receiving central station service” language. The bill as passed contained this language in both Section 2 and Section 4.

Prior to the final passage of the bill in the Senate, the Senate rejected a proposed substitute bill for S. 3483 introduced by Senator King which, among other things, would have added to the description “persons in rural areas who are not receiving central station service” the provision “and for whom such service may not be furnished or made available by competing private enterprise.” This rejection, even standing alone, definitely establishes the fact that Congress intended no limitation on the Administrator’s lending powers such as the Comptroller General now urges.

Thus, tracing the Senate bill from the time of its introduction to the time of final passage we find:

The bill as originally introduced provided both in its general purpose and in its loan authorization provisions only for service to “rural areas which are not receiving central station service.” Despite this language the sponsor of the bill, Senator Norris, made it clear to the Senate that there was no prohibition against loans to provide service for individuals who did not have central station service even though such service was being offered by private power companies in the area. Subsequently, the bill was amended to provide specially for loans to serve “persons in rural areas who are not receiving central station service.” The only possible explanation is that this amendment was made to make the Congressional intent clear beyond question of doubt and Senator Norris so indicated by his comment that this language answered Senator King’s questions. Finally, we have the introduction of specific language which would prevent the making of a loan to serve anyone if such service could “be furnished or made available by competing private enterprise,” and the rejection of that provision by the Senate.

If the legislative history were pertinent in this case, the history of the passage of the bill itself would clearly and definitely

establish the error of the Comptroller General's position. It is submitted that it would be impossible to visualize a stronger legislative case against the Comptroller General's position than is found in the instant case.

We find complete substantiation for our position not only in the language used in the debates and in the hearings, and in tracing the bill itself from the time of introduction to the time of passage, but also in the small amount of time devoted to the question of competition in the debates, and the complete lack of any mention of the subject in the reports also fully supports that position. In reporting out S. 3483, the Senate Committee on Agriculture and Forestry (Report No. 1581, 74 Cong. 2d Sess. 1936), without previous hearing, described in general the purposes of the REA program. The report emphasized that the loans made by REA would be "perfectly safe" and that "nothing will add more to the comfort, satisfaction and happiness of the rural population than the electrification of farm homes." This report is completely silent as to the interest of existing private power companies and expresses no concern on the question of competition with such companies.

The Senate debate on the bill started on February 25, 1936, and the bill as amended was passed by the Senate on March 9, 1936. The debates cover 50 pages of the Congressional Record and concern themselves with many questions, but only about three pages of this total of 50 pages concern themselves with the question of competition with private power companies. On the contrary, a number of statements were made during the course of the debate to the effect that safeguards were needed to prevent private power companies from profiting in any way from, or from sabotaging, this new lending program. In fact, the view was strongly expressed by Senator Norris and others that private power companies should not be eligible as borrowers in view of the fact that their neglect and "cream-skimming" techniques had made it necessary for the Government to undertake this new program. With the express purpose of preventing existing private power companies from taking over projects constructed by REA borrowers, Senator Logan introduced an amendment to the bill, the substance of which was adopted and included in the Act as passed (second paragraph of Section 7) providing that no borrower shall, without the approval of the Administrator, dispose of its property until the REA loan has been repaid in full (80 Cong. Rec. 3306). Far from indicating any fear that REA borrowers would compete with private power companies, this amendment arose out of and discloses an apprehension that REA borrowers and the entire rural electrification program needed protection against predatory private power company tactics.

The House Committee on Interstate and Foreign Commerce, unlike the Senate Committee, held extensive hearings on the

companion bill introduced by Congressman Rayburn. Out of a total of 103 pages of the transcript of this hearing, which concern themselves largely with the farmers' need for electricity, the benefits of the program, etc., there are no more than two or three pages on the subject of competition, consisting solely of the questions to and answers by Morris L. Cooke, then the Administrator of the temporary REA. As shown above, his testimony substantiates our position.

The report of the House Committee on Interstate and Foreign Commerce, dated March 23, 1936 (HR Rep. No. 2219, 74 Cong. 2d Sess. 1936) makes no mention at all of the no-competition limitation in the act. In the debates in the House on Senate Bill S. 3483, there were only three pages out of a total of 45 pages of debate directed toward the question of possible competition, and those few pages consist solely of an explanation that the purpose of the bill was to bring electric service to **persons** in rural areas who were not already enjoying such service.

Thus, it is found that the House as well as the Senate was not much concerned with the problem of REA borrowers competing with private power companies.

The conference report of May 13, 1936 (HR Rep. No. 2644, 74 Cong. 2d Sess. 1936) reported out the bill in the form in which it was finally enacted on May 29, 1936. In the statement of the managers on the part of the House, which constitutes the only discussion of the bill as agreed upon by the conferees, there is no mention of any desire to protect private power companies from the competition of REA borrowers or of the "no-competition" limitation on the Administrator's lending power.

Thus, we find that in the various reports, as well as in the discussions on the floor, there was a minimum amount of time and interest devoted to the competition question but instead the major attention of the Congress was devoted to the affirmative task of providing a bill which would enable the Rural Electrification Administration to do a sound and complete job of bringing service "to persons in rural areas who are not receiving central station service".

It might be noted in passing that not only does the original legislative history support our position and destroy the position of the Comptroller General, but that subsequent legislative history does the same. There have been many attempts since the passage of the Rural Electrification Act in 1936 to amend that Act so as to restrict the lending powers of the Administrator. All of these attempts failed. In addition, on a number of occasions committees of the Congress have looked into the lending powers of the Administrator in connection with particular loans and in each instance his authority was reviewed and

judged in the light of the REA enabling act and found to be sufficient.

It is submitted, therefore, that, in a lengthy legislative history extending from the time of the introduction of the original bills to the present time, there is to be found nothing to support the position of the Comptroller General, but on the contrary, every part of the legislative history supports our position.

3

In all cases, administrative practice is extremely persuasive. Where discretion is given to an agency, administrative interpretation becomes decisive. For 22 years, all REA Administrators have taken a position opposed to the Comptroller General's holding.

Since there is no ambiguity in the enabling statute in this case, there is neither reason nor right to look beyond the language of the statute. The opinion of the Comptroller General, however, after admitting that the language of the enabling act is clear, bases itself entirely upon matters outside the enabling act. The purpose of this part of our discussion is to demonstrate that if it were proper to look beyond the language of the statute in this case, it would be necessary also to consider the administrative practices which have been applied.

It is elementary law that where the terms of an enabling statute are ambiguous the interpretation of the agency itself must be given great weight. This is true not only with respect to determinations of fact, but also in connection with the interpretation of the enabling statute itself. The courts will not, even in such cases, substitute their judgment for that of the administrative body.

Quoting Sutherland again:

(Sec. 5105) "The practice and interpretive regulations by officers, administrative agencies, departmental heads and others officially charged with the duty of administering and enforcing a statute will carry great weight in determining the operation of a statute." (Sutherland **Statutory Construction**, Section 5105, 3rd Ed.)

A leading case on the point is **Gray vs. Powell**, 314 U.S. 402, which involved an interpretation of the term "producer" in the bituminous coal code. The Bituminous Coal Division of the Department of the Interior defined the term to exclude the plaintiff. The court held (page 412):

"Where, as here, a determination has been left to an administrative body, this delegation will be respected and the administrative conclusion left untouched . . . although we have here no dispute as to the evidentiary

facts, that does not permit a court to substitute its judgment for that of the Director (citing cases). It is not the province of a court to absorb the administrative functions to such an extent that the executive or legislative agencies become mere fact-finding bodies deprived of the advantages of prompt and definite action." (Emphasis supplied)

In *United States v. Ickes*, 98 F. 2d 271 at Page 281, the D. C. Court of Appeals held that:

"The failure of Congress to amend a statute, after administrative rulings have been made construing or applying it, has been recognized as evidence of Congressional approval of such rulings." (citing cases)

In 1951, the same court, in the case of *West Texas Utilities Co. v. NLRB* 184 F. 2d 233, 235, cert. denied, 341 U.S. 939, stated that:

"The Supreme Court has admonished us many times to give 'great weight' to an agency's interpretation of its governing statute, especially where the legislative intent is ambiguous. Such deference keeps the inexperience of courts, which must deal with the whole gamut of the law, from distorting the policy of Congress in complex areas of the economy requiring specialized skills and scrutiny. It minimizes the danger that lay conclusions will be given to words that are terms of art to those skilled in their special fields." (emphasis supplied)

To the same effect see: *NLRB v. Hearst Publications, Inc.*, 322 U.S. 111, 131; *SEC v. Chenery Corp.*, 332 U.S. 194, 207, 208; *Bowles v. Mannie & Co.*, 155 F. 2d, 129, 133 (C.A. 7) cert. denied 329 U.S. 736; *Nitrogen Products Co. v. United States*, 288 U.S. 294 (1933); *Interstate Commerce Commission v. Parker*, 326 U.S. 60 (1945); *Fishgold v. Sullivan Drydock & Repair Corp.* 328 U.S. 275 (1946); *Roland Electrical Co. v. Walling*, 326 U.S. 657 (1946); *Levinson v. Spector Motor Service*, 330 U.S. 64 (1947); *Algoma Plywood Veneer Co. v. Wisconsin Employment Relations Board*, 336 U.S. 301 (1949); *National Labor Relations Board v. Gullett Gin Co., Inc.*, 340 U.S. 361 (1951); *Maujea v. Waidlua Agricultural Co., Ltd.*, 349 U.S. 254 (1955).

We have reserved for special attention—because of its extreme pertinency and importance—the recent case of *Panama Canal Co. v. Grace Line, Inc.*, 356 U.S. 309, which was decided on April 28 of this year. In this case, the opinion of Mr. Justice Douglas not only reaffirms all of the foregoing legal principles, but goes on to make it clear that when a subject matter is left to agency discretion, neither the courts nor the Comptroller

General have the right to interfere with that discretion. His observations bear so directly on the issues of the instant case, and are so illuminating in respect of those issues, that we shall quote from the opinion at length.

“Petitioner, being a wholly owned government corporation, is subject to annual audit by the General Accounting Office. 59 Stat. 599, 31 USC Sec. 850. And it is provided that the Comptroller General shall report on this audit to the Congress with ‘such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition’ of the corporation, ‘together with such recommendations’ as the Comptroller General may deem advisable. 31 USC Sec. 851.

“The Comptroller General in 1955 expressed the view that the petitioner had allocated too high a share of the costs of the Canal Zone Government, of the corporate overhead, and of interest payments to the operation of the Canal and too little to its supporting or auxiliary activities. H. R. Doc. No. 160, 84th Cong., 1st Sess. According to his method of cost allocation, the Canal operations showed a large surplus, the auxiliary or supporting activities a deficit. *Ibid.* He also claimed that the prices charged for the latter activities were inadequate. *Ibid.* He went on to give his construction of Sec. 412 (b) of the Canal Zone Code, which was that the tolls must be computed exclusively on the basis of the cost of operating the Canal without reference to the losses incident to the auxiliary or supporting operations. *Ibid.* He thought this result to be unsound and recommended that Sec. 412(b) be amended to provide specifically that any losses of the auxiliary or supporting activities be included in the cost basis for the determination of the Canal tolls. *Ibid.*

“Petitioner vigorously opposes that construction of Sec. 412(b) . . .” (p. 315)

“It was shortly after the Comptroller General’s Report for 1954 was submitted to the Congress that respondents instituted this suit.” (p. 317)

“We think the initiation of a proceeding for readjustment of the tolls of the Panama Canal is a matter that Congress has left to the discretion of the Panama Canal Co. . . . As we have seen, the present conflict rages over questions that at heart involve problems of statutory construction and cost accounting: Whether an operating deficit in the auxiliary or supporting activities is a legitimate cost in maintaining and operating

the Canal for purpose of the toll formula. These are matters on which experts may disagree; they involve nice issues of judgment and choice, *New York v. United States*, 331 U.S. 284, 335, which require the exercise of informed discretion. . . . But where duty to act turns on matters of doubtful or highly debatable inference from large or loose statutory terms, the very construction of the statute is a distinct and profound exercise of discretion. See *Wack v. Rives*, 267 U.S. 117, 183; *Wilbur v. Korche*, 281 U.S. 206, 219; *United States, ex rel. Chicago Great Western R. Co. v. Interstate Commerce Commission*, 294 U.S. 50, 62-63. We then must infer that the decision to act or not to act is left to the expertise of the agency burdened with the responsibility for decision.

"We think this case is in that area. The petitioner, as agent of the President, is given questions of judgment requiring close analysis and nice choices. Petitioner is not only agent for the President but a creature of Congress. It is in close terms with its committees, reporting to the Congress airing its problem before them, looking to Congress for guidance and direction.

"It is at least arguable that Congress to date has sided with petitioner and against the Comptroller General in construing Sec. 411 and 412 of the code. For, Congress, fully advised of the Comptroller General's views in his Report for 1954, approved the budgets for the Panama Canal Co. for 1956, 1957 and 1958, based on petitioner's interpretation of the statute and its method of accounting and cost allocation . . . That does not necessarily mean the construction of the act, pressed on us and in Congress, is the correct one. It does, however, indicate that the question is so wide open and at large as to be left at this stage to agency discretion . . ."

Now let us consider the facts of our case in the light of these decisions.

Every Administrator of REA has made loans to borrowers for the purpose of bringing central station electric service to persons in rural areas who were not receiving such service, even though there were private power companies in the area which were ready, able, willing and even anxious to serve such persons. There could not have been any rural electrification program in the beginning, it could not have succeeded as it has, and it could not continue to exist in the future if the Administrators had not done so. The unserved farmers of the country whose plight led to the creation of the REA were not unserved because the private power companies were not in or near the areas where they lived.

There were always private power companies nearby, but the private power companies attached such onerous conditions to serving the unserved farmers of the country that the latter could not afford to take service from the private power companies. That is why REA was created—to provide funds for bringing service to those farmers and other unserved persons in rural areas. Under the test applied by the Comptroller General there would have been no purpose in creating the REA since the Administrator still would not have authority to lend money to serve those for whose benefit the Act was passed.

Over the years REA borrowers have been plagued by so-called “spite line construction” by private power companies. When power companies learned of the formation of a cooperative to borrow money from the REA they would often build lines into the best parts of the cooperative area to skim the cream from that area and make impossible the organization of a cooperative to serve that area. In such case, whenever possible, the Administrators of REA always lent money to the cooperatives to construct systems to serve the still unserved persons in those areas. Yet the power companies were ready, able and willing to serve those unserved persons on their own terms.

Without deviation or exception, whenever the loan was economically feasible REA has made it, provided only that its principal purpose was to bring service to unserved persons in rural areas—or to continue supplying their requirements—without regard to the existence or non-existence of a private power company in the area. This has been the consistent interpretation of the Administrator’s lending authority as interpreted by every Administrator of REA and by every lawyer who has had the responsibility of advising these Administrators on their lending powers. In these circumstances, even if the enabling statute were ambiguous, every court in the land would uphold this consistent interpretation of 22 years duration. The Comptroller General cannot do otherwise.

It should be noted in this connection that the lending policies of the REA Administrators have been subject to review every year in connection with the hearings on REA appropriations. Never has any committee of Congress questioned the power of the Administrator to lend money in accordance with the plain dictates of the enabling statute and this approval of the lending policies by the Congress has been obtained with the full knowledge of the interested committees of what those practices have been. The private power companies have made certain that Congress knew of this particular practice by appearing before the Congressional committees, time and time again over the entire 22 years, to contend for the position now adopted by the Comptroller General. Congress by its actions over these 22 years clearly demonstrated that it intends that the RE Act be applied

as written. The Comptroller General cannot ignore this history of consistent congressional approval.

In addition to these facts, we find that Congress clearly intended to invest the Administrator with the full authority to administer the act.

In the House debate, opponents of the bill sought to attack it on the ground that it vested the Administrator with unlimited discretion. The answers to these objections stress the fact that such discretion was being committed to the Administrator and was necessary. Thus, Representative Rayburn stated (80 Cong. Rec. 5281), "The gentleman from Connecticut (Mr. Merritt) remarked about the bill and the great power that was given to the Administrator. Well, the power must be lodged somewhere . . .".

Similarly, in the Senate debates, during a discussion on the question of the Administrator's authority, in which it was generally understood that the Administrator was to have a broad discretion in the making of loans, Senator Norris said:

"... Another thing about the general authority that is given to this rural electrification I am reminded of now, and this exemplifies it. We must give to the Administrator a very wide discretion in carrying out the plan I have just suggested. We cannot lay down a hard and fast rule as to just how much density of population there shall be or in how much of a compact territory it will be, because there will be some places where by reason of extreme density of farm population they will be able to take in a comparatively large area of country where the population is not dense and thus give the benefit of the rural electrification to as many farm people as is possible." (80 Cong. Rec. 2759)

In the *Panama Canal Co.* case (supra), Mr. Justice Douglas in effect told the Comptroller General that since Congress had left the decision to the discretion of the agency, that decision was none of his business. How much more so is that admonishment applicable to this case! This is especially so because there Mr. Justice Douglas **inferred** the commitment of this discretion by Congress. Here, the legislative history makes plain that Congress so intended.

4

Every lawyer who had had the official responsibility of advising the Administrator on his legal powers has taken a position contrary to the Comptroller General's letter.

The Comptroller General's opinion quotes from an opinion of the Solicitor of the Department of Agriculture and claims that that opinion supports his position. Counsel, on the basis of per-

sonal knowledge, first wants to make this categorical statement—neither the quoted opinion, nor the opinion of any other attorney who had or has the responsibility of interpreting the RE Act or advising the Secretary of Agriculture or the Administrator of REA with respect to RE Act has ever taken the position which the letter takes. On the contrary each of them has always held that the act authorizes the Administrator to lend money to provide electric service **to any person** in a rural area who is not receiving central station service, whether or not there was a private power company in the area which was ready, able and willing to serve that person.

The Solicitor's opinion, which is quoted in the letter, clearly and plainly conceives of prohibited competition **only** as service to persons already served. The very portions of the opinion which are quoted show that. Thus, the quotation reads in part: "Where the effect of a proposed loan, regardless of its essential purpose, would be to substitute a competitive REA-financed service **to persons already served**, the loan may not be made." (emphasis supplied) This is the kind of competition which the Solicitor says cannot be financed by REA. **No other interpretation of the Solicitor's opinion is possible—and the opinion completely destroys the contention of the Comptroller General.**

5

Previous Comptroller Generals have agreed with our position and held the opposite from the holding in this Comptroller General's letter.

It is most significant that when questioned with respect to the lending powers of the REA Administrator, previous Comptroller Generals held exactly the opposite from the holding in this letter of the present Comptroller General. Thus, in a letter to the Honorable Malcolm C. Tarver, dated March 12, 1943 (B-32920) then Comptroller General Lindsay C. Warren says:

"Of course, the question as to whether the basic purpose of a proposed loan in a particular case is to provide electric service to unserved persons in rural areas is a matter for determination administratively, rather than by this office, after a thorough consideration of the pertinent facts and circumstances in the case. And, while it is realized that the accomplishment of the essential statutory purpose of a loan of the type here involved which is presented to the Administrator for approval at this time would be delayed, in all probability, until after the cessation of the present emergency because of the shortage of critical materials required in connection with the erection of the facilities contemplated thereby, it would seem that, in view of the authority which the Congress

has vested in the Administrator and in the absence of any statutory provision prohibiting the use of appropriated funds for the purpose of such a loan, the determination made by the Administrator with respect to the question as to the approval of the loan must be regarded as a matter of policy and, therefore, **not subject to review by this office.**

"Hence, if it be deemed desirable to limit the authority of the Administrator in this respect so as to preclude the possibility of the authorization by him of a loan of the type here involved where the funds included therein will not in the immediate future provide electric service to unserved persons in rural areas, it is suggested that such object may be effectuated by the enactment of legislation specifically prohibiting the authorization of a loan by the Administrator in any case where there is reason to believe that the essential statutory purpose of the loan cannot be accomplished until after the termination of the present emergency." (emphasis supplied)

The then Comptroller General in his letter to Mr. Tarver not only makes it clear that the basic purpose of the RE Act is to provide money for the bringing of electric service to unserved persons in rural areas, but that how and when this should be done is a matter for the discretion of the Administrator—and if Congress wishes to limit that discretion it should do so by enacting legislation to that effect.

Again, in a letter by the then Acting Comptroller General (R. N. Elliott), addressed to the Administrator of the Rural Electrification Administration under date of January 17, 1939 (B-651), where the question under consideration was the authority of the Administrator to make a loan for the purpose of providing generating and transmission facilities which would incidentally benefit a city having a population in excess of 1500 inhabitants, it was held:

"On the basis of the statement of facts as presented in your letter, there appears ample justification for the conclusion that the **primary purpose** of the proposed increase in the amount of the loan and the interchange agreement is the furnishing of electric energy to persons in rural areas as provided for under the statute." (emphasis supplied)

The letter upheld the Administrator's authority to make the loan in question. This once more shows that previously the Office of the Comptroller General not only interpreted the Administrator's powers as provided by the actual wording of the RE Act, but went on to hold proper any loan which had as its

major purpose the bringing of electric service to unserved persons in rural areas.

See also letter to the Honorable Lyle H. Boren, dated December 1, 1942 (B-29463) from Comptroller General Warren.

We pose this query: Could any holdings possibly be more diametrically opposed to the present Comptroller General's letter than those cited above?

Patently, the letter to which this brief is addressed represents a drastic and startling reversal.

6

The Department of Justice and the U. S. District Court for the District of Columbia disagree with the Comptroller General.

The Department of Justice has had to take a position, in connection with litigation questioning the lending powers of the Administrator, on what those powers are.

Thus, in a brief filed on behalf of the Government of the United States District Court for the District of Columbia, in the case of **Kansas City Power & Light Company v. McKay**, 115 F. Supp. 402 (1955), the Department of Justice sets forth a concise and forceful statement of its position:

"Plaintiffs argue that the RE Act forbids loans even for the purpose of serving the unserved, when central station service is **'available in the area,'** and that even distribution lines may be financed by REA only when they are **'necessary to make central station service fully available to the residents of the area.'**

(Plaintiff's brief, p. 37) These arguments are in direct contradiction of the language of the RE Act, which explicitly provides that loans may be made **'for the furnishing of electric energy to persons in rural areas who are not receiving central station service'**. This distinction between **'areas'** and **'persons'** was made quite clear in the Senate debate before the Act was passed. Thus, Senator Norris, in charge of the bill on the Senate floor, replied to Senator King as follows:

'MR. KING. If an organization were formed beyond the 10-mile limit to which I have just referred and within which limit the farmers are supplied with electric energy, that organization would not be permitted to come back into the 10-mile area to furnish light to farmers already receiving it?

'MR. NORRIS. Not to those already receiving it, but it might come into the 10-mile area and supply farmers

who were not receiving it. That is a distinction which I think ought to be drawn.' (80 Cong. Rec. 2752).

In the course of this debate, Senator King offered a proposed substitute bill which would have limited the beneficiaries of the RE Act to those 'for whom such service may not be furnished or made available by competing private enterprise.' (80 Cong. Rec. 3229-30). This amendment was rejected by the Senate without debate. (80 Cong. Rec. 3317; see Appendix A to Reply Memorandum in Support of Defendants' Motion for Summary Judgment, p. 11) Plaintiffs, however, seem to labor under the impression that this amendment was adopted. They persist in referring to the RE Act as though it reserved to them all 'areas' in which they might be rendering service, or all persons to whom they may deem themselves in a position to make service 'available' at some time in the future. (Pages 47-48)

The Department of Justice reiterates this position in its brief filed in the United States Court of Appeals in this same case (225 F. 2d 924 (1955)). In addition, the brief contains these pertinent observations supporting our position.

"... In the debates on the RE bill, it was pointed out that a broad delegation of power was essential for the administration of the rural electrification program (80 Cong. Rec. 5277, 5278, 5281). Since passage of the RE Act, review of the exercise of the Administrator's power to make loans for generation and transmission facilities has been urged on Congress repeatedly without success." (Page 48)

"This Congressional record of repeated rejections of proposed review of generation and transmission loans by expert regulatory bodies indicates that review was not intended except such as would be provided by Congress through its annual consideration of appropriations." (Page 49)

Our position was again taken by the Department of Justice in its brief filed in **Iowa-Illinois Gas and Electric Co. v. Ezra Taft Benson**, Civil Action No. 3632-56, U.S. District Court, D.C. That case involved the validity of the same loan which has been held invalid in the Comptroller General's letter. (It might be noted that the Iowa-Illinois Gas and Electric Company contested this loan in the Iowa State courts, as well as in the Federal courts, and in the Federal courts it carried the issue up to the Supreme Court. **It failed in every instance.**

These quotations show that the Department of Justice agrees that the statutory language means what it says; that a broad

discretion in the making of loans has been given to the Administrator by the Congress; and that it is intended that the exercise of that discretion shall be subject only to the review by Congress in its annual consideration of appropriations. And as already has been demonstrated, Congress in this annual review has approved of the Administrator's application of the enabling statute in the language in which it was written.

Thus, it is clear that the Department of Justice agrees in every respect with the position we have taken and is diametrically opposed to the position now taken by the Comptroller General.

While in the Kansas City case, *supra*, the Court of Appeals made its decision solely on the basis of lack of standing to sue, and the Supreme Court denied certiorari, the District Court went into all of the merits of the case in a lengthy and careful opinion and decided each substantive issue in favor of the Government. The Complaint and Answer in that case had joined issue squarely on the question here involved, and the briefs on both sides had dealt fully with that question. The decision is therefore completely at odds with the Comptroller General's letter.

There never would have been a rural electrification program—and the program that now exists would serve no new consumers—if the Comptroller General's position is accepted.

The Comptroller General's letter is recklessly destructive of the Congressional purpose with respect to the REA program.

It has already been established that there could have been no REA program if the law had been in accordance with the holding of the Comptroller General that loans can not be made to serve unserved persons in rural areas where private power companies' lines exist.

The situation that exists today makes this fact even more apparent. It is doubtful if there is any "area" in which there are no facilities of a private power company. The Comptroller General's position, if applied to today's situation, would mean that the Administrator of REA could make no loans to serve any of the remaining unserved persons in rural areas unless the private power companies serving those areas refuse to serve those persons. That Congress does not intend, and will not permit, such wanton destruction of the rural electrification program has been made thoroughly clear by the consistent praise it has bestowed upon that program, and by the appropriations it has made for loans by REA, year after year, and always with full knowledge of the lending policies of the Administrator.

To deprive any rural electric system serving thinly populated

areas of the right to serve the profitable new loads which develop in its service areas would sound the death knell financially for that system. The repayment of all existing REA loans would be seriously jeopardized. Is this consistent with the Comptroller General's grave responsibility to protect the financial interests of the Government?

In further illustration of how recklessly destructive of the rural electrification program this holding is, consider the direction in the letter that "steps should be taken . . . to recover immediately . . . the amount advanced . . ." Passing over the interesting legal question of how this result could be accomplished, it must be noted that if this holding is to be followed in the instant case, then it will also have to be followed in countless other cases of loans already made, and the Administrator would have to attempt to recover immediately hundreds of millions of dollars from hundreds of REA borrowers. No more certain way of liquidating the rural electrification program could be developed!

PART 2

THE DECISION OF THE ADMINISTRATOR THAT THE CONSUMER INVOLVED IN THE INSTANT CASE WAS A PERSON IN A RURAL AREA NOT RECEIVING CENTRAL STATION SERVICE IS CLEARLY CORRECT—AND THIS TYPE OF DECISION IS COMMITTED TO HIS SOLE DISCRETION.

We first want to state that we are firmly convinced that the Administrator was correct in his decision that the consumer involved in the instant case was an unserved person. His decision was based upon most detailed and technical facts supplied to him by the cooperatives and the consumer. These same facts will be supplied to the Comptroller General by the attorneys for the two cooperatives involved in the briefs which they will submit. For that reason, and since the facts are lengthy and complex, we shall not burden this brief with them. We have reviewed them and are convinced they clearly establish that the consumer was a person not receiving service. We shall, however, discuss briefly the legal issue involved.

The Comptroller General's letter devotes only one paragraph to this issue:

“However, aside from the legislative history of the central station service limitation we are of the view that where a new building or plant (of an industrial company) is located approximately 160 feet from an old building or plant of the same company on the same tract of ground and the old plant is receiving central station service from a power supplier who has offered to furnish adequate central station service to the new plant, there appears little basis for considering the new plant a person not receiving central station service so as to authorize the making of a loan, or the use of loan funds, under section 4 of the Rural Electrification Act for the purpose of constructing facilities to furnish electric service to the new plant.”

It is startling to find the Comptroller General making such an important decision by merely stating his general conclusion, without even attempting to analyze the facts relevant to the particular case or to discuss the reasons for reaching that conclusion. While the Comptroller General concludes that “there appears little basis for considering the new plant a person not receiving central station service,” the facts of this case, which are being submitted by the cooperatives, clearly demonstrate that there is a substantial and compelling basis for so doing.

The identity of ownership is not relevant to the legal question

when separate establishments are involved. This is easily seen if we but consider the illustrative situation of the ownership by a Congressman of an unserved farm in Iowa and of a served home in the District of Columbia.

Nor is the distance between the separate establishments controlling. Consider these situations: the single ownership of a multiple housing development, with the owner occupying one house, at which he is receiving service, and renting the other houses, which are at the moment not being served. Certainly, in such a case, whether the houses are individual houses or row houses, it must be said that with respect to the unserved houses the owner is a person not receiving central station service within the meaning of the RE Act.

On the other hand, indentity of ownership is relevant in situations involving a house and detached garage, or a house and a barn, when used together. It is most interesting to note that when REA first ruled that a barn could not be served by an REA borrower when the associated house was already receiving service from a private power company, Senator Norris objected vigorously and insisted that the Act did not prohibit loans for such service. Despite his protests, REA adhered to its position. This counsel states from personal knowledge.

From the foregoing, this conclusion is inescapable: if the establishments are in fact separate establishments, service to them involves service to separate persons under the RE Act. In such a case, neither identity of ownership nor proximity of location is relevant.

These illustrations also make it plain that the facts in each case must be carefully studied and analyzed in order to resolve the "person not receiving central station service" question. These facts are often, as in the instant case, complex and difficult of analysis. In such instances, they require the attention of highly trained and experienced technicians, who alone are equipped to furnish the correct answers.

There could not be a clearer illustration of what Mr. Justice Douglas meant, when in the Panama Canal Co. case, *supra*, he said: "We then must infer that the decision to act or not to act is left to the expertise of the agency burdened with the responsibility for decision."

Further in this connection, we have the previously noted legislative history revealing the intent of Congress that there be the broadest delegation of authority to the Administrator—and the recognition of that fact in previous Comptroller General opinions. It would be most helpful to read again, at this point, the

following language from the Comptroller General's letter to Congressman Tarver, *supra*:

"Of course, the question as to whether the basic purpose of a proposed loan in a particular case is to provide electric service to unserved persons in rural areas is a matter for determination administratively, rather than by this office, after the thorough consideration of the pertinent facts and circumstances in the case it would seem that, in view of the authority which the Congress has vested in the Administrator and in the absence of any statutory provision prohibiting the use of appropriated funds for the purpose of such a loan, the determination made by the Administrator with respect to the question as to the approval of the loan must be regarded as a matter of policy and, therefore, not subject to review by this office."

Therefore, it must be concluded: (1) that the Administrator had the authority to make the loan in question; and (2) that this decision by the Administrator was his alone to make and is not in any way subject to the Comptroller General's review or approval.

CONCLUSION

The National Rural Electric Cooperative Association, on behalf of its almost 950 members, nearly all of whom are REA borrowers, or associations of borrowers, and who serve almost 4,000,000 consumers (nearly 15,000,000 people), urges upon the Comptroller General the immediate and complete recission of his letter in order to avoid the complete destruction of the rural electrification program.

To characterize the effect of the letter as the complete destruction of the rural electrification program is not to indulge in overstatement. Under the rule laid down in the letter, REA would be forced to take steps to recover most of the loan funds which have been advanced to borrowers to date. Very, very few loans have been made which would not run afoul of the strange principle enunciated by the Comptroller General. With very few exceptions the borrowers would be forced into insolvency. Very few of the remaining almost half-million unserved farms would ever be reached. No generating loans would be made. In short, the power companies would have at last succeeded in their continuous efforts over the past 22 years which so far have been unsuccessful. There would be a return to the days before the rural electrification program began in 1935. Many who have received electric service under this program would lose it.

Respectfully submitted,

WISE & POTAMKIN

by
William C. Wise

by
Lawrence Potamkin

Attorneys for National Rural
Electric Cooperative Association

**AN ANALYSIS OF
COMPTROLLER GENERAL'S
REVISED RULING*
Relating to the REA Program**

(* Comptroller General's Letter Dated October 15, 1958
Addressed to the Secretary of Agriculture)

**WISE & POTAMKIN, Special Counsel For
National Rural Electric Cooperative Association
November 15, 1958**

INTRODUCTION

In this pamphlet we present the NRECA analysis of the Comptroller General's revised ruling relating to the REA program. This revised ruling was addressed to the Secretary of Agriculture in a letter from the Comptroller dated October 15, 1958.

It will be recalled that the Comptroller General issued his first letter on July 21, 1958. At that time he ordered an unprecedented restriction on the Rural Electrification Administrator's loan-making authority. The ruling completely reversed Congressional intent as set forth in the 1936 law and ignored 23 years of Administrative policy. The ruling would have killed the REA loan program and would have jeopardized hundreds of loans previously made.

Protests were immediately registered by the U. S. Department of Agriculture, Members of Congress, rural electric co-operatives and the National Rural Electric Cooperative Association. Briefs were filed by the USDA General Counsel, the Iowa co-ops concerned with the specific case and NRECA.

As a result of these protests, the Comptroller General issued a new letter October 15, 1958 amplifying his previous ruling. In his new version, the Comptroller narrowed the extent of the limitation he would place upon the REA Administrator, but he did not change his basic position.

When the revised ruling was issued, NRECA retained the law firm of Wise and Potamkin to make a complete analysis of what it would mean to rural electric systems. Their analysis appears on the following pages.

It is ominously clear that unless this ruling is withdrawn or changed, the REA program will be fatally damaged. At this point apparently only Congress can deflect or soften the effects of the Comptroller's disruptive and destructive ruling. It is our hope that Congress will investigate the ruling and its background—how it was instigated in the first place, since so much of the power company argument appears in the ruling, and why the Comptroller General should now seek to give the power companies an interpretation they failed to get either from Congress or the courts.

This action by the Comptroller General appears to be just one more segment of the comprehensive Master Plan that has been unfolding in recent months and that obviously has for its purpose the ultimate destruction of the rural electrification program.

Clyde T. Ellis, General Manager

National Rural Electric Cooperative Association

Analysis of
The Comptroller General's Letter and Ruling
of
October 15, 1958
to
Secretary of Agriculture

FOREWORD

On October 15, 1958, the Comptroller General addressed a second letter to the Secretary of Agriculture on the subject of the lending authority of REA. Although he has made substantial changes in his first ruling, he still holds that Congress did not mean what is so clearly said in the Rural Electrification Act—and his new ruling is still completely in error and utterly destructive of the rural electrification program.

In his first letter to the Secretary of Agriculture, dated July 21, 1958, the Comptroller General ruled:

1. That the Administrator of REA had no authority to make loans to provide electric service "to an **area** already served by private power companies when such companies are willing to provide adequate central station service to persons within the **area** who are not tied to the power lines." (emphasis supplied). No definition of "area" was furnished and no limitation was placed upon the extent of the "area" which could not be reached by REA loans.

2. In addition to this general ruling that applies to all REA loans, the Comptroller General also ruled that, in the specific case in question, a new plant being constructed by a company which was receiving 25 cycle electric service from a power company at an old plant could not be considered a person not receiving central station service even though the following facts were established by the cooperatives and the Department of Agriculture: (a) the new plant was 160 feet from the old plant; (b) the new plant was a completely separate operation from the old plant; (c) the new plant required 60 cycle service and to give such service the power company would have to spend approximately \$100,000 to reconstruct its existing facilities running to the old plant and to extend heavy transmission facilities for 160 feet; (d) the consumer's capital investment in the new plant greatly exceeded its capital investment in the old plant; (e) the power requirements of the new plant greatly exceeded the power requirements of the old plant; (f) "There is a respectable body of technical and engineering opinion that 25 cycle service is outmoded and obsolete, and therefore is not adequate central station service"; (g) the location and scope of

the new plant were determined by the consumer on the basis of its desire for a new electric supplier; (h) the new plant was in territory already being served by the cooperative and the cooperative was already serving a housing facility of the company on the same site; and (i) the rate which the power company wanted to charge for service to the new plant was so high that it would make the plant uneconomical to operate.

3. Because, in the opinion of the Comptroller General, the loan made by REA to enable the cooperative to serve the new plant was unauthorized, the Administrator was directed to take steps "to recover immediately . . . the amount advanced. . . ."

In briefs which were filed by the Department of Agriculture, NRECA and the cooperatives involved, with the Comptroller General in reply to his first letter, the following was clearly and definitely established: **The Comptroller General's ruling was completely without basis.** That ruling had attempted to rewrite the Rural Electrification Act, which in plain language gave the Administrator the right to make loans to serve all "persons in rural areas who are not receiving central station service. . . ." It misused what little legislative history it referred to and failed to consider the large mass of legislative history which clearly supported the Administrator. It misinterpreted an opinion of a Solicitor of the Department of Agriculture and ignored the fact that for 23 years the Administrator had been making such loans and that every Government official and lawyer charged with the legal interpretation of the Rural Electrification Act had approved the making of such loans. It ignored the fact that Congress was well aware that the Administrator was making such loans and by its continued appropriations without restrictions approved the making of such loans. It also ignored the fact that a United States District Court had approved the Administrator's power to make such loans. And it ignored the fact that the Department of Justice had taken a firm stand on the question in full support of the Department of Agriculture's position.

Comptroller Reaffirms His Position

Despite the clear demonstration in those briefs that his original ruling was completely and wholly without basis, the Comptroller General has in effect reaffirmed his position. Whereas his original ruling was set forth in 8 pages, he now takes 25 pages to explain and clarify that ruling.

In his letter of October 15, the Comptroller General holds:

1. That what he meant by his first letter when he said that REA loans could not be made to "furnish power to an area already served by private power companies when such companies are willing to provide adequate central station service

to persons within the area who are not tied to the power lines," was that persons who were located "on", or "along side of", or "adjacent to", or "within a reasonable distance of" the power lines of a power company could not be served by facilities financed by REA if the power company were willing to serve them at a "reasonable price." Thus, although he denies that this constitutes a "new" ruling, it is in fact new, since the "area" placed outside the reach of REA loans has been reduced—although, as before, none can say just what the area is—and the completely new requirement has been added that the service offered by the power company must be at "a reasonable price".

2. The loan in question is still unauthorized, according to the Comptroller General, on both the ground of his general "interpretation" of the lending authority of the Administrator and on the ground that the new plant was not an unserved person.

3. Although he still holds that the loan was improper, the Comptroller General no longer requires the Administrator to take steps to obtain the immediate return of the loan funds, since they have been expended and the cooperative is under contract to return them.

The October 15 ruling is as completely wrong and without basis as was the July 21 letter—and the Comptroller General has followed the same disregard of ethical practice and of Governmental procedure that marked his actions in connection with his first letter. Before issuing his first letter he had given no indication whatsoever that he was considering changing the fundamental powers of the Administrator under the Rural Electrification Act. He not only did not notify the Cooperatives or the Department of Agriculture that he was considering making such a momentous ruling, he did not even take the trouble to raise the questions which he had in his mind or to discuss the matter in any preliminary fashion. Instead, after making only routine inquiries of the Department, he issued his power company ruling completely "out of the blue."

Similarly, in issuing this new "interpretation" and "clarification" of his first ruling, he has not even taken the trouble to check facts or assumptions with anyone other than the power company, although a mere 'phone call to the Department or the Cooperative could have given him the necessary information. Thus, he "assumes" every fact that would seem to support his predetermined position except where he uses information which he has obviously obtained from the power company after the briefs were filed.

This second letter and ruling, as will be demonstrated, is as completely without basis as the first. In the detailed analysis which follows, points are discussed in the order in which they appear in the Comptroller General's letter, with general observations at the end.

I

The Comptroller General Attempts to Change the Clear Meaning of the RE Act

It must first be noted that even the Comptroller General admits that the language of the Rural Electrification Act grants the Administrator the right to lend money to bring electric service to **any** unserved person in **any** rural area, but he seeks to change the meaning of the Act by the use of legislative history.

As has been definitely established by the briefs submitted to him on his letter of July 21, and as will be demonstrated again below herein, the legislative history lends the Comptroller General no support, but instead clearly supports the Administrator. Nevertheless, to clearly understand the Comptroller General's completely erroneous and partisan handling of this matter, let us consider his treatment of the legal question involving his right to look behind the plain language of the statute.

If there is any one outstanding characteristic which distinguishes both of the Comptroller General's letters, it is that of citing language out of context and stating legal propositions incorrectly. Thus, the Comptroller General attempts to justify his disregard of the clear and unambiguous language of the Rural Electrification Act by quoting from text authorities and cases to justify his looking at the legislative history, despite the fact that the law is clear to the effect that legislative history cannot be resorted to to change the plain meaning of clear and unambiguous statutory language. As in all other instances, the authorities cited by the Comptroller General do not support his position.

The Comptroller General first refers to **Sutherland**, Statutory Construction, from whom NRECA quoted in its previous brief, and attempts to demonstrate from that quotation that he had the right to use the legislative history in his endeavor to establish that the clear and unambiguous words of the statute do not mean what they say. The quotation used by the Comptroller General itself starts out with these words:

"The most common rule of statutory interpretation is the rule that a statute clear and unambiguous on its face need not and cannot be interpreted by a court and only those statutes which are ambiguous and of doubtful meaning are subject to the process of statutory interpretation."

The remainder of the quotation in the Comptroller General's letter indicates that the author is to some extent personally critical of the rule and feels that if "the words are **sufficiently flexible**" (emphasis supplied), they should be construed. Nowhere does he even imply that the rule is not as

stated in his first sentence and in NRECA's brief. His position is made clear by Sec. 4706, from which the Comptroller General quotes, but as usual omits that part which makes it clear he could not properly do that which he has done in the instant case. The omitted language which follows immediately after the Comptroller General's language reads: (Sec. 4706)

"While the intention of the legislature must be ascertained from the words used to express it, the manifest reason and obvious purpose of the law should not be sacrificed to a literal interpretation of such words. Thus words or clauses may be enlarged or restricted to harmonize with other provisions of an act. The particular inquiry is not what is the abstract force of the words or what they may comprehend, but in what sense were they intended to be used in the act. The sense in which they were used by the legislature furnishes the rule of interpretation and when this cannot be determined from the context of the act, the court may resort to extrinsic aids. Obviously, if the words of the act indicate the legislative intent other sources may not be resorted to to establish a meaning contrary to that intention." (emphasis supplied)

There are also quotations from four cases in the Comptroller General's letter in support of his position that he had the right to resort to the legislative history in our case. It is sufficient to say that in each of those cases the language of the statute being interpreted obviously was not clear and unambiguous.

In **Boston Sand and Gravel Company v. United States**, 271 U.S. 41, the case hinged on the meaning of the words "legal damages" as used technically in a jurisdictional statute. The Court found this language to be ambiguous, since "legal damages" may or may not include "interest," and that it did not include interest in this instance. In **Harrison v. Northern Trust Company**, 317 U.S. 476, the Court found it necessary to interpret the words "payable out of" in a tax statute, because although apparently clear in meaning on a "superficial examination" of the statute they were not clear on a careful reading. In **United States v. Dickerson**, 310 U.S. 554, in the paragraph of the opinion cited by the Comptroller General, the Court itself emphasized that the words being interpreted did not have a "settled meaning". In **Puerto Rico v. The Shell Company**, 302 U.S. 253, the Court had to decide whether or not Puerto Rico was a "territory" within the meaning of that word as used in the statute. The Court made it crystal clear that the word is ambiguous, since when used in its comprehensive sense it embraces "all organized territories, whether incorporated in the United States or not, including Puerto Rico," while when used

in a technical sense it includes only possessions within the reach of the Sixth and Seventh Amendments.

After citing these few "authorities" for a proposition that does not exist in the law, the Comptroller General dismisses the dozens and dozens of cases and the text authorities which clearly show him to be wrong by stating "... although we realize there are other Supreme Court cases to the contrary." Since we have fully demonstrated how wrong he is by citation of many of the authorities in our brief filed in opposition to the Comptroller General's first letter, we shall not repeat those authorities here. However, we shall quote again Chief Justice Vinson's excellent summation of the law on this point.

"... The short answer is that there is no need to refer to the legislative history where the statutory language is clear. 'The plain words and meaning of a statute cannot be overcome by a legislative history which through strained processes of deduction from events of wholly ambiguous significance, may furnish dubious bases for inferences in every direction.' *Gemsco v. Walling*, 324 U.S. 244, 260 (1945). This canon of construction has received constant adherence in our decisions." *Ex Parte, Collett*, 337 U.S. 561 (1949)

We have discussed the Comptroller General's misstatement of this principle of statutory construction merely to show the pattern of his biased and partisan treatment of the rights of REA borrowers. The point actually is a completely academic one since, as firmly established in the briefs filed by the Department of Agriculture and NRECA, and as will be confirmed in this analysis, the legislative history of the Act irrefutably reveals the incorrectness of the Comptroller General's position.

II

Comptroller General Now Offers a New Meaning of the Word "Area"

In his first ruling, the Comptroller General plainly states "... that the purpose of the central station service limitation was to exclude loans for the purpose of paralleling existing systems or creating competition with existing facilities by prohibiting the use of loan funds for the construction of transmission lines and substations to furnish power to an area already served by private power companies when such companies are willing to provide adequate central station service to persons within the area who are not tied to the power lines". (emphasis supplied)

This is a clear statement that cannot be misinterpreted. The only possible interpretation is to exclude as beneficiaries of REA loans those persons in rural areas who, even though un-

served, are within an area already served by private power companies when those companies are willing to serve those persons. The word "area" is not defined in the quoted part or in any other part of the first letter. Therefore, subject only to the interpretation of the word "area", the quoted statement clearly means that if the power company were willing to extend its lines to serve the unserved persons, the Administrator cannot make loans for that purpose. And his misuse of the legislative history quotations, as well as his underlining of certain parts of those quotations, show that the Comptroller General at that time meant just what he said.

Now, instead of admitting that he wants to change his opinion, he has the temerity to say that what his first opinion meant was that only those unserved persons who were "on", or "along side of", or "adjacent to", or "within a reasonable distance of", the power company lines were outside the reach of REA loans. And to prove that that is what his first opinion says, he now underlines the words "who are not tied to the power lines".

Here is what he says:

"... we would like to say that there has apparently been a misunderstanding as to the scope of the statement in our letter concerning the purpose of this limitation as disclosed by the legislative history thereof. While we used the word "area" in our statement, we had in mind the factual situation involved in the case we were considering, that is, where the unserved person was located, in effect, on, i.e., along side of, existing power lines and the owner of the lines was ready, willing and able to furnish adequate central station service to the unserved person at a reasonable price. You will note that in the statement in question we used the phrase 'who are not tied to the power lines.' We contemplated only situations where the unserved persons were located on a power line, that is, where the power line ran to or along side of, the property to be served and where the owner of the power line was ready, willing and able to furnish adequate central station service at a reasonable price to the unserved person."

One must ask what dictionary the Comptroller General is using. Certainly, if it is any known dictionary of the English language, then when he discusses persons "who are not tied to the power lines" it can only mean those "who are not connected with the power lines"—and they can be "not connected" if they are a foot or a mile away. How the Comptroller General can contend that persons "who are not tied to the power lines" in any area means only those persons who are "on", or "along

side of", or "adjacent to", or "within a reasonable distance of", the company's power lines is beyond comprehension.

Thus, right at the outset, the Comptroller General demonstrates that he still has no intention whatsoever of adopting a logical and judicious approach. And this is in keeping with his unethical treatment of the interested parties and their briefs. The briefs submitted to him by all interested parties in answer to his first letter were, of course, directed to what he said in that letter. He has now made these important changes in that letter. Instead of notifying the interested parties in advance of the changes he was going to make so as to give them an opportunity to rewrite their arguments and to cite authorities directed to the new ruling, he merely issues the new ruling and in it attempts to dismiss the arguments in the briefs filed just as though they had been filed in answer to this second letter and not to the first letter.

It happens that the briefs submitted were comprehensive enough to show that even this revised opinion of the Comptroller General is completely without basis, but this still does not excuse the actions of the Comptroller General in not giving the parties an opportunity to point their briefs directly to his new position and in discussing their briefs as though they had been so written.

III

The Comptroller General Still Misinterprets the Rural Electrification Act

Although he has changed his definition of "area" the Comptroller General is still using the same erroneous approach that he used in his first letter. The basic fallacy of the Comptroller General's reasoning in both of his letters is that he chooses to interpret the Rural Electrification Act as giving authority to the Administrator to lend money only to serve "rural areas" rather than "**persons in rural areas**". (emphasis supplied)

The plain language of the Rural Electrification Act states that the Administrator is authorized to make loans to provide electric service "**to persons in rural areas who are not receiving central station service . . .**" (emphasis supplied). Obviously, the test under the Act is merely whether the person to be served through the REA loan is an unserved person living in a rural area. Where he lives in the rural area is completely unimportant because, if he is in fact in a rural area and is unserved, REA can make a loan to provide him with service.

As will be shown, the legislative history shows clearly that Congress intended just what it said in the Rural Electrification Act and for 23 years the various Administrators of REA have made loans in conformity with this plain statement of the law. Despite this, the Comptroller General still chooses to rewrite

the Rural Electrification Act to make it provide that the Administrator can make loans only to serve unserved persons who live in **some** rural areas, and has held that the Administrator cannot make loans to provide electric services to persons who live in **other** rural areas. All that he has done in his second opinion, with respect to this basic point, is to define the rural area whose unserved persons cannot be the beneficiaries of an REA loan.

IV

The Comptroller General Still Quotes Legislative History Out of Context

As in his original letter, the Comptroller General still persists in quoting passages from the legislative history out of context and in adopting tortuous and erroneous interpretations of what he quotes.

It should be noted at the outset that in any lengthy debate or discussion language can be found which, when taken out of context, may seem to have a meaning different from the meaning of the discussion as a whole. That is why it can be so misleading to quote statements out of context. Also, supplying emphasis to the wrong parts of quoted passages can mislead. As he did before, the Comptroller General has used both of these misleading devices in his latest opinion.

Without repeating all that was said in the brief that was submitted in opposition to his first letter, it can be shown very easily how completely wrong the Comptroller General still is by just a short reference to some of the legislative history. Thus, twist and turn as he will, the Comptroller General cannot change the meaning of Senator Norris'* reply to Senator King, when he said that although loans could not be made to serve persons in power company areas who were already receiving service from the power company, they could be made to serve persons in the power company areas who were not receiving service:

"Not to those already receiving it, but it might come into the 10-mile area and supply farmers who were not receiving it. That is a distinction which I think ought to be drawn." (80 Cong. Rec. 2752, Part 3)

Nor can the Comptroller General destroy the plain meaning of these other statements of Senator Norris:

"The Senator says 'come in competition'. They would not come in competition with farms already supplied . . .".

*Senator George Norris was co-author and chief Senate sponsor of the bill which became the Rural Electrification Act of 1936.

"There is no intention of going into a farming community which is already supplied with electric current and forming farm organizations there and having them built up to go into competition, as the Senator suggests, with farms who are already getting their electric current from a central station." (80 Cong. Rec. 2752, Part 3)

How does the Comptroller General handle these clear and direct statements that the Act means what it says? By saying: ". . . we do not feel the Senator intended to imply that loans could be made for the purpose of going into the farming community he refers to, to furnish electricity to farms located on, i.e., adjacent to, power lines therein but not tied to such lines . . .". This is beyond comprehension! Senator Norris plainly and clearly says that they **can** do it. Yet the Comptroller General says that he, the Comptroller General, "does not feel" that Senator Norris meant what he said. At least he is being consistent, because the whole purpose of his opinion is to establish that he, the Comptroller General, "does not feel" that Congress meant what it so plainly said in the Rural Electrification Act.

Then, again, the Comptroller General has the audacity to quote Congressman Rayburn and to attempt again to twist and misconstrue the plain meaning of his words. Congressman Rayburn, the other co-author of the bill, made the flat statement that the purpose of the Rural Electrification Act was to serve the unserved and not to punish anyone, or to parallel anyone's lines, or to enter into competition with them. The clear meaning of his words shows that when he speaks of "paralleling facilities" or of "competition", he means service to **persons already being served by power companies**. Thus, he says:

"May I say to the gentleman that we are not, in this bill, intending to go out and compete with anybody. By this bill we hope to bring electrification to people **who do not now have it**. This bill was not written on the theory that we were going to punish somebody or parallel their lines or enter into competition with them." (emphasis supplied) (80 Cong. Rec. 5283, Part 5)

Could anything be clearer? Congressman Rayburn says that the purpose is to serve people "who do not now have" electric service. Then he says that it is not the purpose of the bill to go into competition with power companies, or punish them, or parallel their facilities. It could not be more clear that Congressman Rayburn in his use of the words "parallel" and "competition" had in mind only that type of paralleling and competition which involves bringing REA-financed service to those **who are already being served by the power companies**.

But what does the Comptroller General say? He says: "We feel that the proper interpretation of this state-

ment in the light of the House hearings is that the sponsor of the bill in the House did not contemplate the paralleling of existing lines, at least for the purpose of furnishing electricity to unserved persons located on those lines, and that the 'persons who do not now have it' referred to in the statement are those not located on power lines, but those located beyond, or at least not within a reasonable distance (as determined by the Administrator of REA) of, power lines." (emphasis supplied)

Although, as will be later demonstrated, it is impossible to understand just what the Comptroller General means, it is perfectly clear that he cannot mean what Congressman Rayburn means. And it can once more be noted that the Comptroller General is at least consistent. Starting with his misinterpretation of the Rural Electrification Act, he consistently and persistently misinterprets everything else he quotes.

Curious Handling of Legislative History

The handling of the legislative history by the Comptroller General is a perfect illustration of how legislative history should not be handled. Consider, first, his treatment of Senator King's abortive attempt to do by amendment what the Comptroller General now wishes to do by administrative fiat. Senator King wanted to expressly prohibit the use of REA loan funds to provide service in any area where power company facilities existed. Senator King introduced an amendment providing that loans could be made to serve only those persons in rural areas "for whom such service may not be furnished or made available by competing private enterprise." The fate of this amendment is not shown in the Congressional Record. Later, he introduced another amendment, containing the above provision and other provisions on other points. This amendment was defeated.

The Comptroller General states that since the amendment contained other provisions, it may have been rejected because the Senate did not want to adopt these other provisions. He refuses to yield at all, or to even note that the normal—and proper—interpretation of the Senate's action was that it opposed all of the provisions in the amendment. Had the Senate favored any of them, it would have amended the amendment and would have adopted those provisions which it favored.

The Comptroller General's treatment of the legislative history of the King amendment is a sorry demonstration of his bias, even standing alone. However, when coupled with his handling of another facet of the legislative history, it becomes unbelievable. The briefs previously submitted to the Comptroller General pointed out that the Senate version of the bill first provided only for service to unserved rural "areas". As thus written, it might

have been susceptible of the interpretation which Senator King wished to give it by specific language, and which the Comptroller General is now struggling so mightily to give it. However, the Senate amended the original version of the bill to make it provide for service to "persons in rural areas". By doing this, the Senate made it crystal clear that the test to be used in making REA loans was only whether the "person" in the rural area was unserved, and not whether the "area" itself was unserved. **The Comptroller General does not even comment upon this most persuasive, perhaps conclusive, piece of legislative history, although it was emphasized in the briefs submitted to him.**

The Comptroller General, in his new letter, now quotes at great length from the House Hearings on the Bill. In his original decision, the Comptroller General made no reference to those Hearings, but after NRECA pointed to specific statements in those Hearings which opposed his position, he has now gone to those Hearings—not, however, to seek the facts, but only to find material which, when taken out of context, seems to support his predetermined power company position.

As has already been noted, in any lengthy legislative history, statements can be found which, when taken out of context, would support almost any position. Thus, parts of the House Hearings, taken by themselves, may seem to support the Comptroller General—and, therefore, like the partisan that he is in this dispute, he uses those parts, but fails to relate them to the entire legislative history, or even to show the proper context in which they occurred.

Thus, the Comptroller General fails to mention that the testimony to which he refers had mostly to do with some of the **policies**, as distinguished from **powers**, which REA, as a new, temporary and experimental agency, was following in a period when it had no enabling statute, had limited funds, had made but a few loans, and had actually financed the construction of very few lines.

In those early days, the first loans were not made to serve people who were close to, and could get service from, power company lines. With millions of rural people not receiving service, with entire rural areas without service, the early loans were made to serve those who could not get service in any other way. Thus, Mr. Cooke, the then Administrator, testified that if a power company told him it would extend its lines, even build extensions of **half a mile**, to reach people within a year's time, he, Mr. Cooke, did what he could to quiet public agitation in the area and let the power company follow its plan. Obviously, Mr. Cooke was not speaking of his **power** to make loans under the new Act that was being considered, but only of the **policy** he was following in the first months of the new and experimental program. Even the Comptroller General would have to

admit that. Even he does not contend that the Administrator lacks the power to make loans to serve people whom the power company promises to serve within a year by building extensions up to one-half mile each.

However, when Mr. Cooke was asked the specific question in point, his answer was clear:

"Mr. Huddleston. I am correct, am I not, in saying that the fundamental purpose of this bill is to give electric service to those who do not now have it.

"Mr. Cooke. Those who do not now have it."

* * * *

"Mr. Huddleston. May I say that my questions are not addressed to the matter of competition or duplication of service, but to the fundamental purpose of the bill. You want to give electric current to farmers who now have not got it.

"Mr. Cooke. That is right." (Pages 56-57 House Hearings)

* * * *

Thus, the three pages of quotations from the House Hearings which the Comptroller General now includes in his new ruling do not help his position. As with all other of his quotations, they are offered for what they do not support.

It is perfectly amazing how the Comptroller General, after devoting so much space to quotations that are not relevant, still completely ignores so much of the pertinent legislative history that was cited to him in the briefs that were submitted in answer to his first letter. The Department of Agriculture, in its brief, showed that time and again the meaning of the REA statutory loan authorization was discussed and explained to Congressional Committee after Congressional Committee, and always in the same way, and to the satisfaction of those committees, and exactly consistent with the position now taken by REA. Always it was pointed out to the committees that REA loan funds were available to provide service to any person in a rural area who was not already receiving central station service. It did not matter where that person was located in relation to power company lines. The brief filed by the Department of Agriculture with the Comptroller General in answer to his first letter contains the actual quotations from testimony to such effect before the Congressional Committees.

A sample of this testimony, as quoted in the Department's brief, follows:

"Mr. Nicholson: We can't with Government money, finance the extension of cooperative service to farmers already served, even if they want it. There are many cases where a farmer served by a utility company would like to take the meter out and put in a cooperative

meter, but under this law as drawn we have no authority to do that. But if the farmer does not have service, **no matter where he lives**, we have every right under this law to finance the extension of service to him, if he wants the service from a borrower that we finance.” (emphasis supplied) (Hearing, Senate Subcommittee on S. 89, April 2, 1945, P. 15.)

The Comptroller General is silent on this and similar quotations in the Department’s brief. He dismisses the entire matter by saying:

“The Acting Secretary now advises that REA has kept the Congress fully informed of its activities over the years and indicates that the Congress has acquiesced in REA’s making loans for the purpose of serving any unserved persons; and that it has been REA’s uniform administrative practice over the past 22 years to make loans to bring electric service to all unserved persons in rural areas, and reiterates that this has been so without regard to the “availability” of service from other sources. . . . However, the long-continued practice as reported by the Acting Secretary, if **carried on with Congressional knowledge** would tend to support the Department’s position, or at least, indicate Congressional acquiescence in the practice followed by the Department. In view of the foregoing we will take such action as may be necessary to insure Congressional knowledge of the interpretation of the Act by REA and the practices followed by including a discussion of the matter in the report referred to in the last paragraph of this letter.” (emphasis supplied)

This is insulting and beyond comprehension. The statement of the Department that Congress has always known that REA has interpreted and applied statute as written is backed up by specific quotations from Congressional Hearings. But the Comptroller General will neither comment upon nor accept this clear evidence of the truth of the Department’s statement. In effect, the Comptroller General is saying that he doesn’t believe either the Department or the evidence furnished by the Department. There appears to be no limit to the lengths the Comptroller General will go to damage the rural electrification program.

V

The Comptroller General Misinterprets Legal Opinion of USDA

Perhaps the most outrageous of all the horrible examples of mistreatment of quotations in the Comptroller General’s letter is his mistreatment of an opinion of the Solicitor of the Department of Agriculture, written in 1942. In the first place, the

opinion was written with respect to acquisitions, i.e., situations where the REA borrower sought to acquire existing facilities in order to serve additional unserved persons. It was not directed to the question here involved. Nevertheless, even that opinion, to the extent that it does indirectly touch on the point here involved, definitely substantiates our position. In it the Solicitor states that "where the effect of a proposed loan, regardless of its essential purpose, would be to substitute competitive REA-financed service to persons already served, the loan may not be made". Note the use of the word "competitive" in this context. Clearly and obviously, what the Solicitor had in mind was the competition involved in serving persons **already being served**. This sentence is included in the part quoted by the Comptroller General, but he makes no reference to it in his discussion. Other parts of that same opinion—and not quoted by the Comptroller General—read:

"The purpose of a loan made pursuant to the Rural Electrification Act must be to bring electricity to '**persons in rural areas** who are not receiving central station service.' (emphasis supplied). Section 13 of the Act defines 'rural area' 'as any area of the United States not included within the boundaries of any city, village or borough having a population in excess of fifteen hundred inhabitants' . . .".

This quotation from the Act appearing in the Solicitor's opinion clearly shows that **any** person in **any** rural area outside of the boundaries of a city, etc., having a population in excess of fifteen hundred is eligible to be the beneficiary of an REA loan. But this part of the Solicitor's opinion is not quoted or referred to by the Comptroller General.

Again, in this same opinion, the Solicitor stated: "In other words, the unserved persons whose benefit is the purpose of the loan must be in 'rural areas' . . ." This also is not referred to by the Comptroller General. He completely ignores the fact that the Solicitor, as shown by the above quotations, and by some 15 other statements to the same effect in that opinion, uses the word "competition" to mean only competition to serve persons **already served**. Instead, the Comptroller General makes the wholly unfounded statement that the word "competition", as used by the Solicitor, means the construction of **any** REA-financed lines **in the same area** where there are power company lines and then he "interprets" the Solicitor's opinion as meaning that REA loans are not available for **that** kind of competition.

To get the full impact of this unbelievable argument of the Comptroller General, we must remember that at the time the opinion of the Solicitor which he discusses was written, Vincent D. Nicholson was the lawyer in the Department of Agriculture

who was in charge of the legal work for REA. The Solicitor's opinion referred to by the Comptroller General was actually written by him and members of his staff, although this was done in consultation with the Solicitor and the Solicitor signed the opinion. This is normal Government procedure, as the Comptroller General well knows.

Mr. Nicholson, time and again, in testifying before Congressional Committees, gave the same description of the Administrator's loan powers that has always been given, even though the Comptroller General would now change those powers. (See Department of Agriculture's answer to first letter.) Mr. Nicholson did that with full knowledge of the opinion for which he had had the major responsibility. His staff, some of whom worked on that same opinion, always gave that same interpretation—and since the time of Mr. Nicholson's death, every successor, and every Solicitor and General Counsel of the Department of Agriculture, and every member of the legal staff servicing REA, has given the same interpretation.

Thus, in Solicitor's opinion No. 5564, dated as recently as June 5, 1953, which was referred to in the Department's brief, we find this flat statement on the lending authority of the Administrator:

"Thus, the provision, in section 4, authorizing loans for the purpose of furnishing electric energy to persons 'not receiving central station service', can be viewed both as (1) an assurance that REA funds would be expended for the benefit of the unserved, and (2) an assurance that REA funds would not be used to take existing customers away from their present suppliers. The inclusion of the 'rural area' provision, in addition to the 'central station service' provision, may have indicated a judgment on the part of the Congress that such urban areas either were being, or unquestionably would be, supplied with central station service by non-REA borrowers. Such inclusion may, therefore, have indicated a general intention to exclude REA financing with respect to areas so densely populated as to justify a conclusion that all persons in such areas who desired electric service could readily obtain it from the power companies. It should be noted, however, that the authorization in section 4 of the RE Act is not phrased in terms of areas, but relates to 'persons in rural areas who are not receiving central station service . . .' This was pointed out in the course of the Senate debate, as follows:

'Mr. King. If an organization were formed beyond the 10-mile limit to which I have just referred and within which limit the farmers are supplied with

electric energy, that organization would not be permitted to come back into the 10-mile area to furnish light to farmers already receiving it?

'Mr. Norris. Not to those already receiving it, but it might come into the 10-mile area and supply farmers who were not receiving it. That is a distinction which I think ought to be drawn.' (80 Cong. Rec. 2752.)

"Thus, the effect of the 'rural area' provision, in conjunction with the 'central station service' provision, is that REA may finance service to unserved individuals in a rural area, even though the area in general is served by another supplier, but may not do so in a non-rural area."

Numerous other opinions of the Solicitor of the Department of Agriculture have held to the same effect. In this connection see Opinions numbered: 4586, 4962, 4981, 4982, 5206, 5213, 5216, 5217, 5338, and 5385.

The Department of Agriculture, in its brief, pointed out most of these facts in support of its statement that the Comptroller General's position "is in conflict with the position unanimously adopted by the Solicitors and General Counsel of the Department of Agriculture . . ." The brief submitted on behalf of NRECA, which was prepared by two attorneys who had had many years of service on the legal staff serving REA, also stated this fact from the personal knowledge of those attorneys. Despite all this, the Comptroller General still persists in saying that the opinion of the Solicitor referred to substantiates his impossible position.

VI

Comptroller General Reverses Opinions of His Predecessors

Previous opinions of the Comptroller General have clearly placed in the Administrator of REA the responsibility and authority to determine in each instance whether a particular loan application meets the requirements of the Rural Electrification Act. The very quotations from those opinions which are now set forth in the new ruling of this Comptroller General clearly demonstrate this point.

Thus, the present Comptroller General quotes from the letter of a previous Comptroller General, dated March 12, 1943, B-32920, as follows:

"Of course, the question as to whether the basic purpose of a proposed loan in a particular case is to provide electric service to unserved persons in rural areas is a matter for determination administratively, rather than by this office, after a thorough consideration of the pertinent facts and circumstances in the case."

He also quotes from another letter written by a Comptroller General in 1943, in which it is clearly stated that these questions are for determination administratively rather than by the Comptroller General. (This last quotation ends with the qualification that the Administrator's discretion may not be abused. This qualification will be discussed later, under point VII, in its proper context.)

Despite this clear evidence that previous Comptrollers General have refused to interfere with the discretion of the Administrator, this Comptroller General not only persists in doing so, but insists that he is not departing from previous rulings.

There is another important point to be noted in connection with our consideration of the difference between the attitude and actions of previous Comptrollers General and those of the present Comptroller General. Although no Comptroller General in the past has undertaken to specifically interpret the words "persons in rural areas who are not receiving central station service" as they appear in the Rural Electrification Act—probably for the obvious reason that the language is so clear that it can have only one meaning—other Comptrollers General have shown that they both understood and accepted the plain meaning of the provision.

In that very part of the letter written by the Comptroller General to a Congressman on February 3, 1943, which the present Comptroller General quotes, the then Comptroller General states that the validity of a loan depends upon whether its basic purpose ". . . is to provide electric service to unserved persons in rural areas . . .". Also, in the quotation used by the present Comptroller General and set forth above, the basic purpose of a loan is again described as one ". . . to provide electric service to unserved persons in rural areas . . .". In that same letter, in a part not quoted by the present Comptroller General, it is stated that the power of the Administrator of REA to make loans must be ". . . viewed in the light of the **controlling intent of the Congress to provide electric service to persons in rural areas not receiving central station service . . .**". (emphasis supplied)

In another letter of a previous Comptroller General, written to Congressman Boren and dated December 1, 1942—from which the present Comptroller General does not quote—the then Comptroller General refers to "**. . . the essential statutory purpose of providing electricity to serve persons in rural areas . . .**".

This constant reiteration in letters and opinions of previous Comptrollers General of the clear purpose of the Act to provide service to unserved persons in rural areas, without explanation or qualification, clearly demonstrates that they agreed with the action of the Administrator in applying the Rural Electrification

Act as written—and not as the present Comptroller General would rewrite that Act.

How does the present Comptroller General treat this clear proof that he is reversing the rulings of previous Comptrollers General? By saying: “. . . we do not consider anything we said in our letter of July 21 to be **diametrically** opposed to the views of this Office as set forth by previous Comptrollers General” (emphasis supplied).

We submit that he must stand alone in this judgment of his action.

VII

The Comptroller General Attempts To Make Legislative History Sound Ambiguous

As demonstrated above herein, the Comptroller General has based his argument on a legal proposition that does not exist, namely, that even though the language of a statute is clear and unambiguous, and plain in meaning, it is yet permissible for him to look to the legislative history to change the plain meaning of that clear and unambiguous statutory language. Then, in turning to the legislative history, he not merely misstates it, and misconstrues it, and omits from it those additional parts which destroy his position, but even as he misstates that history he does not dare say that the history clearly and unambiguously means what he wants it to mean.

In fact, the most that even he dares to say is that “he does not believe” that a Senator means what he says, or that “he feels” that a Congressman means something different from what he says. Thus, even the Comptroller General at his strongest can only say that “he feels”, “he believes”, that Congress really intended something different from what it said. So we have the Comptroller General using what he, in effect, claims is ambiguous legislative history to change the plain meaning of clear and unambiguous statutory language.

This is indeed a new twist and we defy the Comptroller General to find any language, even language taken out of context, in any case or text book, that stands for the proposition that ambiguous legislative history can be so used.

Thus, it becomes ludicrous when the Comptroller General now quotes from a letter of another Comptroller General written in 1943, in which the then Comptroller General states that the question of whether the basic purpose of a proposed loan meets the statutory requirements is for decision administratively rather than for the Comptroller General, “**subject to the limitation that the Administrator’s discretion in this regard may not be abused**”—and the Comptroller General underscores this part of the quotation.

How the Comptroller General can even dare speak of abuse

of discretion by the Administrator, in a case where the Comptroller General must use non-existent law as an excuse for looking at legislative history which he contends is ambiguous in order to change the plain meaning of clear and unambiguous statutory language, is beyond comprehension. There is only one abuse in the present case, and that is the abuse by the Comptroller General of his authority, his function, the law, the legislative history and all of the facts pertaining to the issue.

VIII

Comptroller General Demonstrates Determination To Undermine REA Program

Space does not permit a paragraph by paragraph analysis of the Comptroller General's opinion. Literally volumes could be written showing how, in every particular, the opinion is in error and shows the determination of the Comptroller General to damage the rural electrification program.

Thus, he says that whether or not he has authority to review loans made by the Administrator, he intends to report to Congress any transaction which he feels is contrary to the intent of the statute—in this case, even though he admits the language of the statute clearly authorizes the loan in question.

Then, in discussing our reference in our previous brief to the decision of the United States District Court for the District of Columbia in the case of **Kansas City Power and Light Company, et al v. McKay, et al**, 115 F. Sup. 402, he deliberately ignores the fact that the District Court went into all of the merits of the case in a lengthy and careful opinion, and decided each substantive issue in favor of the Government, and in effect upheld our interpretation of the Administrator's powers to make loans. The Comptroller General tries to dismiss this matter by stating that the case was finally decided on appeal in favor of the Government on the "standing to sue" question—a fact which we had pointed out in our brief—and he further states that the circumstances in the cited case were not the same as those in the instant case. No one said that they were—but the principle of law involved is precisely the same.

In another case, not referred to by the Comptroller General, there is a holding on the meaning of statutory language which is directly analogous to the provision in the Rural Electrification Act that loans be made to furnish service to ". . . persons in rural areas who are not receiving central station service." In the case of **Williams Electric Coop. v. Montana-Dakota Utility Co.**, 79 N. W. (2d) 508 N.D., 1956), the Supreme Court of North Dakota had to interpret the words "not receiving similar service from another utility, or electric cooperative corporation . . .". This is what the Court said:

"As used in the statute, the phrase not 'receiving similar service from another utility, or electric cooperative corporation', has reference to service in fact as distinguished from ability to give service. There is no language in the statute from which it may be gathered that it was the intent of the legislature to extend the force of the statute to territory in which a utility or electric cooperative merely had the ability or desire to deliver electrical energy."

This ruling is directly in point—and in favor of the Department of Agriculture. But apparently this is not the kind of authority that the Comptroller General is interested in. Therefore, we find no reference to or discussion of such authority in his opinion.

Fails To Mention Department Of Justice

Further illustration of the Comptroller General's biased attitude is found in his failure to even mention the firm position taken by the Department of Justice in support of 'he Administrator's position. As fully documented in the brief which NRECA filed with the Comptroller General in answer to his first letter, the Department of Justice, in briefs filed in cases contesting the Administrator's lending authority, has flatly stated that such authority applies to all cases which involve service to unserved persons in rural areas, whether or not service is otherwise "available" to such persons. Yet this position of the Department of Justice is not only not accepted by the Comptroller General, but he does not even deign to mention it.

The Comptroller General magnanimously does deign to accept the well established rule of law that Administrative rulings over a long period are entitled to considerable respect and weight, but then goes on to say that even if an administrative determination is legally supportable under the language of a statute, if he considers it to be contrary to the **evident** spirit and intent of Congress in enacting the statute, he will report the matter to Congress. In the circumstances of this case, after his own plain demonstration that, even under his misuse and misinterpretation of the legislative history, the most that he can say is that "he feels", or "believes", or it "appears to him", that the legislative history does not mean what it says—that he has "considerable doubt"—how the Comptroller General can conclude that the Administrator's action is contrary **"to the evident spirit and intent of Congress in enacting that statute as disclosed by the legislative history thereof . . ."** (emphasis supplied) is beyond comprehension. What clearer proof is needed of the "evident intent" of the Comptroller General to damage the rural electrification program?

IX

The Comptroller General Uses Unverified Power Company Material and Assumptions

When the Comptroller General turns his attention to the specific case involved, he demonstrates beyond doubt—if any doubt still remains—that he has only one purpose in mind: The destruction of the rural electrification program. What he has given us is not the carefully considered judicious opinion of one Government official passing upon the action of another Government official, but the biased one-sided presentation of the power company. Thus, he says “the record before us”, “it has been reported”, “we understand”, “it appears from the record”, time and again in referring to facts which were not furnished him either by the Government or the cooperatives. Nor were those facts checked with these interested parties. Obviously, they could have been furnished him only by the power company.

In addition, wherever there may be facts which militate against his position, he does not ask for the facts but he *assumes* the contrary. Thus, when the Department of Agriculture points out that the line in question was being used to serve 307 new consumers and could have been justified on that basis, the Comptroller General “assumes” that the loan would not have been made unless service to the new plant was included.

And when the Department of Agriculture states that it is doubtful whether the service being rendered by the company at the old plant was sufficiently adequate even to constitute central station service, the Comptroller General merely states that the previous report he had received from the Department had not said that the existing service was inadequate; therefore, he completely dismisses that point, when he could easily have obtained the facts by a telephone call to the Department of Agriculture. Again, on the question of whether the price at which the power company was offering to render service to the new plant was reasonable, the Comptroller General merely states that he “assumed” that the price was reasonable. A telephone call to the Department of Agriculture would have given him the facts rather than an assumption—but apparently facts were not what the Comptroller General wanted.

It is inconceivable that any Government agency would treat another Government agency in such arbitrary fashion. Not only did the Comptroller General give no indication of what he was contemplating when he suddenly, and without warning, issued his first opinion in this matter, but after receiving exhaustive and convincing briefs from the Department of Agriculture, NRECA and the cooperatives involved, he proceeds to issue a second opinion without even requesting important facts, preferring to assume facts which will justify his position.

His treatment of the Department of Agriculture's action in this case would be amusing if the matter were not so important and the damage threatened so serious. In the instant case, a cooperative makes a loan application to the Administrator of REA. The Administrator feels that on the basis of that presentation he should not make the loan. The cooperative renews its application and furnishes the additional facts and information which convinces the Administrator that the application should be granted.

There are a number of other bases upon which the Administrator could have made the loan and those bases are set forth in the Department's brief. But, says the Comptroller General, since the Administrator did not make the loan on any of these other bases, the loan is still illegal. In other words, the Comptroller General is treating a loan study made by the Administrator and his staff as though it were a Court case, and any arguments or considerations not specifically used as the bases for making the loan are no longer available to the Administrator.

Let this be a full warning to all Government lending agencies. The Comptroller General now says in effect that every loan made by any of them must have in the loan docket at the very outset every conceivable reason and basis for making the loan. Otherwise the Comptroller General will disregard all of these valid reasons and bases when he decides to review the loan. Hereafter, it will not be sufficient for a lending agency to select just one valid basis for making the loan, but it must prepare its papers in the beginning so that they include every possible basis. This may seem fantastic, but it is what the Comptroller General has held in this case.

X

Comptroller General Now Would Not Disturb This "Illegal" Loan

The Comptroller General now says that although the loan is illegal nothing need be done about it—but, of course, it must not be done again.

In his original ruling the Comptroller General directed the Administrator to take steps to obtain the immediate return of the loan funds. If he is right in his ruling that the loan was unauthorized, that was a logical direction. Now, although he maintains his position that the loan was illegal, he tells the Administrator that he need not take any steps to obtain an immediate return of the money because the cooperative has spent the money and is under contract to return it over a 35-year period.

This new twist in logic is as confusing as the other mental

gyrations of the Comptroller General. If the loan is illegal, certainly it should not be permitted to stand. If it is illegal, it cannot be condoned and the money should be recaptured at once.

One cannot help but wonder whether this new bit of inspired reasoning by the Comptroller General does not result from the fact that he knows that no Court in the land would back up his position and that if the Administrator sued to obtain an immediate return of the money the Courts would expose the ruling of the Comptroller General for what it is—a completely ridiculous and unfounded ruling.

XI

The Comptroller General's Ruling Is Completely Confused and Confusing

The Comptroller General has actually given us different and conflicting standards with respect to the loans that the Administrator may make. Thus, he says that the Administrator may not make loans to serve unserved persons who are “along side of”, or “adjacent to”, or “within a reasonable distance of”, the lines of a power company when that power company is willing to serve such persons at a reasonable price. He also states as a requirement that the power company must be able to reach these unserved persons without extending its existing lines. He also states that the instant case is an illustration of the type of unserved rural person that may not be reached by REA financed lines.

In the instant case, it would have been necessary for the power company to reconstruct a substantial part of its existing facilities and to extend a heavy transmission line a distance of 160 feet to reach the new plant, at an expenditure of \$100,000. Since an extension would have been necessary in the instant case, how are we to interpret the Comptroller General's statement that the power company must be able to serve the unserved person without extension of its lines? Obviously, giving the word “extension” its normal dictionary meaning, the Comptroller General cannot have it both ways. Either the word “extension” is being used by him in some new and strange manner or he has contradicted himself. This is surely a point on which additional “clarification” is needed from the Comptroller General.

Also, in view of the facts of the instant case, some definition of “within a reasonable distance of” power company lines must be furnished. It is true that the Comptroller General has qualified his statement on this by noting, parenthetically, that the reasonable distance shall be as determined by the Administrator.

But in the instant case an expenditure of \$100,000 would have been required of the power company, for the reconstruction of existing facilities, plus the extension of a heavy transmission line for 160 feet. The Comptroller General has categorically stated that the new facility to be served was within a reasonable distance of the company's lines. Therefore, he does not permit the Administrator to make the determination in this case. What then happens to his statement that the Administrator shall determine what is a reasonable distance?

Unless the Administrator is actually to be given the full and final authority to make the determination, then the Administrator, in many instances, cannot feel free to make a loan to serve an unserved person in a rural area without first obtaining the approval of the Comptroller General, because the Comptroller General, although he states that the Administrator shall make the determination, by his action in the instant case shows that he has set himself up as an appellate court for each such determination made by the Administrator.

XII

Ruling Would Prohibit Loans For Generation and Transmission Facilities

The Comptroller General's ruling, if applied, would outlaw loans for new generating and transmission cooperatives. In the Brief which NRECA filed with the Comptroller General in connection with the Comptroller General's first letter it was pointed out that under his first letter "No generating loans would be made." The Comptroller General says nothing to allay this fear in his second letter. His opinion, if not "clarified," would seem to prohibit new loans for generating facilities, since the distribution cooperative is not merely "adjacent to", "along side of", or within a "reasonable distance of" the power company's lines, but is actually already "tied to the power lines" of the power company.

The failure of the Comptroller General to allay our fears on generating loans becomes more significant when we consider that he went out of his way to state that he was not objecting to loans made to "heavy up" existing cooperative facilities, even though there was no mention of loans for "heavying up" lines in the previous letter or the briefs filed. Therefore, his failure to state that generating loans, which were mentioned in NRECA's brief, were also permissible seems to be deliberate and not an oversight.

In any event, unless and until his ruling is altered by further "clarification", the Comptroller General would prohibit loans for generating and transmission.

XIII

**Many Other Loans of the Types Which Have Always
Been Made Would Be Prohibited**

The ruling of the Comptroller General, if applied, would prohibit many other loans of the types which have always been made. Let us consider just a few additional factual situations in which loans cannot be made if the opinion is applied. Take the not unusual case where a power company has a 115 kv transmission line which it has constructed and is using merely to connect two towns that it serves. The transmission line runs through the heart of a cooperative's territory, but it serves no persons in the cooperative's territory. An attractive load develops in the midst of the cooperative's territory under, or almost under, or within a "reasonable distance of" the company's transmission line. Suppose the company is willing to tap its transmission line at that point and install a substation to serve that load. Under the language of the opinion, the Administrator cannot lend the cooperative money to serve that load, even though it is in the heart of the cooperative's territory and outside of the power company's territory. Unless the Comptroller General issues another "clarification" of his opinion, even this type of loan would be considered unauthorized.

What happens if the cooperative's lines are also "adjacent to", or "along side of", or within a "reasonable distance of", the unserved consumer? Apparently the Administrator still cannot make a loan to serve that consumer. What if the cooperative's lines are closer to the unserved person than the lines of the power company? Apparently the loan is still prohibited. What if the cooperative's lines were there before the power company's lines? Apparently that would make no difference. What if the company's lines are completely inadequate? Apparently—at least if the power company says it is willing to put in new facilities—that would make no difference.

Many "Clarifications" Needed

It seems clear that, unless REA is to stop making loans, a great many additional "clarifications" must be made by the Comptroller General.

In fact, it would seem that REA might need a "clarification" in connection with each loan application to serve new consumers. If so, wouldn't the Comptroller General in effect become also the Administrator?

It is obvious that the Comptroller General still has no clear understanding of the operations involved and his ruling, if applied, would at least create tremendous confusion. It is un-

believable that anyone would attempt to make such an important ruling without even understanding its import.

Although the Comptroller General in his first letter merely said that the Administrator could not make a loan to serve areas where there were power company's lines and the power company was willing to serve, he has now added an additional requirement, and that is that the power company must be willing to sell "at a reasonable price". He does not say that this is a change from his original letter but it is, of course, a most important change. And it does not alter the fact that the ruling is still destructive of the rural electrification program. Furthermore, who is to decide what a "reasonable price" is, in particular circumstances?

Basically, of course, the REA program was created because the private power companies would not serve persons in rural areas **at reasonable prices**. They have always been willing to serve anyone, if they could charge enough.

On the question of the definition of the terms used by the Comptroller General—"adjacent to", "along side of", "within a reasonable distance" and "a reasonable price"—there cannot be a definite yardstick for all cases. What is a "reasonable distance" in Pennsylvania may not be a "reasonable distance" in South Dakota. And what may be a "reasonable price" in Vermont may not be a "reasonable price" in Tennessee.

It is no answer to say that the Administrator will make those determinations. How can he, when in the instant case the Comptroller General flatly says that a consumer who can be served by a power company only if the power company spends more than \$100,000 to rebuild existing lines and then extends its heavy transmission line for 160 feet is within a reasonable distance? What if the Administrator thinks it is an unreasonable distance? Obviously, with a Comptroller General who acts in this manner the Administrator could never feel safe with any decision until it had been approved by the Comptroller General.

What of the Administrator's right to make loans to "heavy up" lines already serving those whom the Comptroller General now says should not have been served? Although the Comptroller General's opinion specifically approves of loans to "heavy up" existing cooperative facilities, it raises the very important question of whether the Administrator can make loans for the purpose of "heavying up" those facilities which have already been built to serve persons who were "adjacent to", or "along side of", or within a "reasonable distance of", power company lines when the cooperative first began to serve them.

If the original loan was improper, can further loans be made for additional service to those people? If such further loans are prohibited, complete chaos and a breakdown of service will develop.

XIV

Ruling Would Impose a Tremendous Administrative Burden Upon the Administrator

If the Comptroller General's ruling is applied, even if it is "clarified" in the many respects that need clarification, it would create a tremendous, if not impossible, administrative burden. Presumably, in connection with each application to provide service for unserved persons the Administrator would have to make sure that none of the money was to be used to provide service to persons "along side of", or "adjacent to", or within a "reasonable distance of" power company lines.

This would require the cooperatives to submit detailed information and maps in connection with their loan applications, and it would also require the Administrator to make a careful study of that material and perhaps have the applications checked in the field. The additional administrative costs would be tremendous and the approval of loan applications would be greatly delayed, all to the serious detriment of the rural electrification program.

XV

Comptroller General Is Attempting to Intimidate the Administrator

The Comptroller General is obviously intending to intimidate the REA Administrator. The Administrator should, of course, completely disregard the opinion, since it is absolutely clear, as his own legal staff has definitely established, that there is no basis to it, and the only power of the Comptroller General in this matter is to make a report to Congress, as he has said he will do. It is doubtful, however, even though the Administrator rejects the Comptroller General's decision, that there will not, in fact, be some harmful effect upon the Administrator's decisions. For example, it is doubtful whether the Administrator would make additional loans where the facts are identical with or even very close to the facts in the instant case. Also, one cannot predict the extent to which this decision will influence other actions of the Administrator unless the decision is definitely struck down.

XVI

The Opinion Has Already Been Used Against the Rural Electrification Program

Not only will the opinion of the Comptroller General furnish material to be used in the future by the enemies of rural electrification in their propaganda and other attacks, but it has already been used in Commission proceedings against a cooperative.

In New Jersey, the question before the Commission was whether to approve the sale of Tri-County Rural Electric Cooperative to Jersey Central Power & Light Company. An important issue was the ability of the Cooperative to serve new consumers coming into its area. Proponents of the sale argued that, in view of the Comptroller General's opinion, REA loan funds might not be available to serve such new consumers, and therefore the public interest would best be served by having the power company take over.

This is but a sample of the tremendous harm which the Comptroller General's actions in this matter may produce. These opinions must be struck down!

XVII

Comptroller General's Ruling Is Actually a Hostile Power Company Brief

This second letter of the Comptroller General uses the same misleading approach of his original letter. Material is cited for propositions which the material does not support, but every effort is made to make the material seem to support the Comptroller General. The huge mass of material—such as case law, legislative history and congressional action—which definitely destroys his contentions is deliberately misapplied or ignored. Every fact, every authority and every argument contrary to the position he is determined to maintain is ignored or rejected.

The entire approach and tone of the letter is that of power company partisanship. In addition, the letter contains material which could not have come from any source but the power company. The letter should best be described as a power company brief rather than an opinion, or ruling, because its entire effort is to establish the correctness of a predetermined position destructive of the rural electrification program, and not to reach a judicious and objective conclusion. It appears to be a deliberate effort to give to the power companies everything they have sought in their attempt to destroy the rural electrification program, and which has been denied them by the Congress and the Courts. And, obviously, if this ruling were applied to the rural telephone program, it would destroy that program, also.

**Prepared For
NATIONAL RURAL ELECTRIC
COOPERATIVE ASSOCIATION**

**by
WISE AND POTAMKIN
Special Counsel**

Mr. WISE. I am confused, Mr. Chairman. I don't recall that the letter from the Secretary of Agriculture to the Comptroller General and an analysis of the second letter of the Comptroller General, both of which were prepared by the lawyers of the Department of Agriculture, working on REA matters, have been admitted into the record. If they have not been, I should like to offer them at this time.

Senator HOLLAND. My impression is that they were admitted. That was the intention yesterday. If they have not been, why they certainly should be admitted.

(For letters referred to above see pp. 8-41.)

(Discussion off the record.)

Mr. WISE. I should like to call your attention to those two documents prepared by the lawyers in the Department of Agriculture, especially. We are a little bit in competition with them, because we wrote briefs on the same subject. I cheerfully admit theirs are better and establish so clearly the situation in question here that I urge you to read them if you possibly can get the time.

I am confident that if you gentlemen will but glance through the three letters from the Comptroller General and the briefs and analyses prepared by the REA lawyers in the Department of Agriculture and by us, you will readily agree that Senate Resolution 21 must be adopted by the Senate, if the REA program is not to be seriously crippled.

Since those documents make it clear beyond question that the Comptroller General's opinion is grievously in error in holding that Congress meant something entirely different from what it clearly said in the plainest language and also show the manner and the extent to which the REA program will be injured by the ruling, I shall not burden the record with their details in my statement. I shall merely try to summarize.

In the July 21, 1958, letter the Comptroller General held that a portion of a loan made to an Iowa G. & T. cooperative to finance a transmission line was not authorized under the Rural Electrification Act, and instructed the Department to take steps to recover immediately the amount which had been advanced to construct the transmission line.

I may say at that point, Mr. Chairman, in answer to Senator Talmadge's question of yesterday, it is our position that that original letter was entirely and completely beyond the authority of the Comptroller General. There is no question but that the Comptroller General has the right to report to Congress at any time on all fiscal matters, and we don't criticize his doing that at all. That is up to him. But for him to instruct the Administrator of REA, rather the Secretary of Agriculture, to collect back that money, and to hold in the fashion in which he did that that loan was illegal, we submit is entirely beyond his authority. Previous Comptroller Generals have stated very clearly in a number of opinions that whether or not a particular loan is to be made or not is an administrative matter to be decided by the Administrator of REA and not by the Comptroller General. And then recently in a Supreme Court decision—and I am a little embarrassed to refer to the Supreme Court in view of what you have said, Mr. Chairman, but they do in this matter still set forth the law which we must be governed by—the Court has held

precisely that the Comptroller General has no authority to pass on a matter of this kind when the discretion is vested in the Administrator. Mr. Rathbun cited that case for another purpose a few minutes ago. It is Panama Company versus the Grace Line. The citation is in the record in one of our briefs.

Senator HOLLAND. In other words, if I understand your position, not only do the courts have no jurisdiction but the Comptroller General has no jurisdiction, is that correct?

Mr. WISE. To pass on particular loans the Comptroller General has no jurisdiction. If you want to bring up Mr. Rathbun's point at this time I will digress to do that. I was really amazed at him sitting here and explaining the situation the way he did. The courts hold—and have held not only in connection with REA but in connection with any other Government agency, and the Administrative Procedure Act holds the same thing—when an individual has not been aggrieved or adversely affected by an act of the Administrator he does not have any standing in court.

In answer to your question, Senator Talmadge, you are of course correct. What you learned in equity is still the law of this land. For every right which is aggrieved there is a remedy. But the courts have expressly held here that a power company does not have a right to be protected against a cooperative serving an unserved person or any other person, that Congress did not intend to give such right to the power company. I submit that if you will read the legislative history and read our briefs on the subject, you will agree with that. This question has come up many times. The identical question was decided by the court of appeals here.

Certorari was denied by the Supreme Court years ago in the Kansas City case when the problem first came up. And I believe everyone who is around the table who is a lawyer will remember Alabama Power Co. versus Ickes going way back to the early cases and the same principle was decided again in the TVA case—TVA versus Ashwander.

This is not something that is peculiar to REA. The question is, Has a right been given to this particular individual or company to be protected against an act of some other person?

Now, in answer to your question, Mr. Chairman, it is our position that the Administrator is responsible to Congress, and that he has come up and reported, as we will develop in a few minutes, over and over again. He has expressly testified to this very question, that is on the broad question which is involved here as to whether the test is one of "area" or "availability" or whether the test is service to an unserved person, and I shall get into that in a few minutes. But the instrumentality, the authority, which passes on that is Congress and no one else. I also submit, Mr. Chairman, if that were not so in this particular type of case, where there is no regulation involved—REA has no regulatory authority of any kind at all, it is merely a lending agency—there would have been no REA program. If each loan, each particular loan, were subject to review by either the Comptroller General or by the courts, there could have been no REA program. The tactics used here by this company in going into court, which we will get into in a minute, when they had exhausted their remedies before the Iowa commission and the Iowa courts shows just how there would have been no program.

Senator TALMADGE. Would you let me interrupt at that point now? You state that it is a lending agency and no one else has any administrative control over it.

Mr. WISE. Except Congress, sir.

Senator TALMADGE. Except Congress?

Mr. WISE. Yes.

Senator TALMADGE. Let us assume that we had an Administrator in office who went completely contrary to law and policy and made a loan ostensibly for REA that was used to package food or some such commodity. What would the remedy be?

Mr. WISE. I would like to say first, Senator, if that food processing plant were located in a rural area, that is an unincorporated area or an incorporated area of less than 1,500, and it were not receiving central station service, there is no question of the authority of the REA to make a loan to a borrower to serve such a plant.

Senator TALMADGE. I am not talking about serving the plant. I am talking about utilizing the money for some purpose not allowed under the act.

Mr. WISE. Anyone who has been aggrieved by that has a right to challenge it. A power company which has not been given any right guaranteeing against competition would not have a right.

Senator TALMADGE. In other words, under the hypothetical case I gave you, the only one who could complain would be a competitor in the food processing business?

Mr. WISE. He could not complain unless some right of his had been invaded. It would depend upon the circumstances of that particular case. If he had a right which was given to him which had been invaded, then he could complain. Otherwise, he could not.

I also would like to emphasize there is nothing startling about this, or that it is different from the law that applies to all other agencies. Whenever Congress—and after all Congress is the one which should have the authority—when they gave a right to a particular class of people, then that right is entitled to be protected in the courts. If under the State law they are given any right, for instance, if they are given an exclusive franchise, then a utility can go in, not to protest the REA loan, the validity of that, but the invasion of their right, that is their right to be free from competition, and it can do that in the State courts, but here this particular company exhausted all of its rights before it came to the Comptroller General, as we shall demonstrate in a minute.

The line made it possible for a distribution cooperative served by the G. & T. cooperative to serve a new plant of a pipe and tile company.

On pages 3, 13, and 14 of the letter from the Acting Secretary of Agriculture to the Comptroller General dated August 7, 1958, are set forth the facts which formed the basis for the REA Administrator's findings that the new plant was not receiving central station service and therefore was eligible to be served with facilities financed by REA.

The language of the Rural Electrification Act which authorizes the making of electric loans is contained in section 2 and section 4 of the act.

Section 2 reads:

The Administrator is authorized and empowered to make loans * * * for * * * the furnishing of electric energy to persons in rural areas who are not receiving central station service * * *.

Section 4 reads:

The Administrator is authorized and empowered * * * to make loans * * * for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines, or systems for the furnishing of electric energy to persons in rural areas who are not receiving central station service * * *.

The Comptroller General gave two reasons for holding that the loan in question was not authorized. He first stated that act prohibited the use of loan funds for the construction of facilities

to furnish power to an area already served by private power companies when such companies are willing to provide adequate central station service to persons within the area who are not tied to the power lines,

and, second, that the new plant could not be considered a person not receiving central station service.

I would like to emphasize here, if I may digress from my prepared statement a minute in view of the discussion which took place yesterday and this morning, these are two entirely separate and distinct questions. The second one is a very narrow question on which reasonable men might disagree.

We feel here, as I will show in a minute, that it was clear that this was not a case of a person receiving central station service, but if the Comptroller General had limited his opinion to that narrow question, we would not be here today, because it would not do the grievous harm to the overall REA program.

I may say there have been very, very few cases involving this narrow problem. I started to say in the 23 years of the REA program you could count them on your fingers. That might be an understatement, but there have been very, very few where this question has arisen as to whether or not REA is serving a person who is already receiving central station service. There have been a few others that received a lot of publicity, but overall they have been negligible. They are what you lawyers would call de minimis by any standard at all. However, we spent a lot of time on the question yesterday and for that reason I would like to just take a couple of minutes here to show that this particular person was not receiving central station service.

But that is not important to our overall problem, and I am afraid we are placing too much emphasis on this and I am contributing to that.

But since Mr. Whitmore, in his testimony yesterday before you, Senator Ellender, left out so many of the relevant facts, the facts which are determinative of the case, I am reminded of the Comptroller General's treatment of the legislative history which we shall get into in a minute. He did the same thing. When it came to the parts which determined the case in our favor, he omitted those parts as I will show in a minute, and that is exactly what Mr. Whitmore did yesterday.

If I may continue, he concluded, that is the Comptroller General, that the new plant could not be considered a person not receiving cen-

tral station service even though the following facts were established by the cooperatives involved and the Department of Agriculture:

- (a) The old plant was receiving 25-cycle electric service from an electric railway company?
- (b) The new plant was 160 feet from the old plant;
- (c) While located on the same tract of land, the new plant was a completely separate operation from the old plant;
- (d) The new plant required 60-cycle service and to give such service the existing supplier would have to spend approximately \$100,000—it wasn't there but had to spend approximately \$100,000, to reconstruct its existing facilities running to the old plant, and to extend heavy transmission facilities for 160 feet;
- (e) The consumer's—that is the Lehigh Tile Co.—capital investment in the new plant greatly exceeded its capital investment in the old plant;
- (f) The power requirements of the new plant greatly exceeded the power requirements of the old plant;
- (g) There is a respectable body of technical and engineering opinion that 25-cycle service is outmoded and obsolete and, therefore, is not adequate central station service;
- (h) The location and scope of the new plant were determined by the consumer on the basis of its desire for a new electric supplier;

If it could not have obtained a new electric supplier it would not have placed a new plant in that area but would have moved to some other area. I can't emphasize this too much:

- (i) The new plant was in territory already being served by the cooperative and the cooperative was already serving a housing facility of the owner of the plant on the same site.

It wasn't a question of the co-op moving into some new territory. It has been here for a long time. It was actually serving the residence of the manager of the Lehigh Co. who lives on that site. It is true it required the \$100,000 roughly to build a higher voltage transmission line to get enough power in there to serve the new plant.

Senator TALMADGE. May I interrupt at that point? How close was the nearest consumer of the co-op to the point of the new plant?

Mr. WISE. Right smack there almost, right on the same tract.

Senator TALMADGE. Contiguous to it?

Mr. WISE. Yes, sir.

Senator TALMADGE. One hundred feet, 200?

Mr. WISE. Not more than 200, I would say.

Senator TALMADGE. In other words, both of them were in the area, the co-op and the private power?

Mr. WISE. That is correct, Senator Talmadge, except the cooperative was there with modern 1956 type of electric service, 60 cycle. This railway company had a record, a history of poor service. It had been cited before the Iowa commission numerous times for poor service. Also the cooperative, as I will come to in a minute, had a franchise to serve it. Now these facts which I am giving you appear in affidavits prepared by the officers of the Lehigh Tile Co., which were filed in the district court here, and they will also appear in the record before the Iowa commission.

What Mr. Whitmore did not tell you—Mr. Rathbun maybe has told you, I am not sure—is when the cooperative applied for a franchise, while it was there, for any new construction in Iowa as I understand it you have to get a franchise. As Mr. Rathbun pointed out, the Iowa commission does not have public service commission jurisdiction. It has safety jurisdiction, as you know, Senator Schoepel. The purpose is to protect the public from the danger of constructing an improper type of line. But the cooperative, Green County, went to the commission and was granted a franchise. That was contested very vigorously and bitterly by either the railway company or Iowa-Illinois, I am not sure just when that transfer of ownership took place, I believe it was Iowa-Illinois. It then was appealed to the district court of Iowa. That district court of Iowa made a couple of findings which neither Mr. Whitmore nor Mr. Rathbun told you about.

These findings were that this line not only served, this plant, as Mr. Whitmore told you yesterday and I believe you repeated this morning, Senator Ellender, but it would also serve some 140 farms from the line. So that is an express finding made by the district court of Iowa.

Actually today they are serving more than 300 farms from this same line.

Senator ELLENDER. Are we to understand from the evidence presented here that this \$120,000 to build a line to serve this new plant exclusively was in error?

Mr. WISE. Absolutely in error as found by the district court of Iowa, which made a finding that in addition to serving that, it would serve some 140 farmers. I am representing to you today, based on my latest information, that it is serving some 300 farms.

Senator ELLENDER. On that immediate line?

Mr. WISE. No, off of it. This is a heavy transmission line, the power from which has to be transformed, but that line, power coming from that line, serves more than 300 farms. Do I make that picture clear?

Senator ELLENDER. Did you have a line there before?

Mr. WISE. Of course, we had a line there before. We were serving the manager of this company right on the site.

Senator ELLENDER. In other words, this additional line you erected was on the same right-of-way that the other line was?

Mr. WISE. We did not have a heavy transmission line along there, Senator, because we did not need that much power. We had the line along there necessary to serve the usual farm load.

Senator ELLENDER. To what extent did you have to extend this line in order to get to the plant?

Mr. WISE. We had to spend \$100,000, and I have forgotten the mileage of transmission line which had to be built, it may be 20 miles or something like that, from a source of power where there was sufficient power to serve this larger load, and the new farms or the new other consumers who were developed along there. We had to spend \$100,000 to build this transmission line.

Senator ELLENDER. Did you have an existing line on that same right-of-way?

Mr. WISE. No, not on the same right-of-way.

Senator ELLENDER. It is a new line then that you built?

Mr. WISE. A new transmission line, Senator.

Senator ELLENDER. Yes.

Mr. WISE. But we had our distribution lines there to serve these people.

Senator ELLENDER. That is what I am asking you, on the same right-of-way?

Mr. WISE. No, sir; not so far as I know, I am not sure of that, but I would guess at least not all on the same right-of-way. You see the situation when you are serving farmers and domestic consumers, is that you need so much power and you build a line of a certain size to serve them. We had those lines there. This site is right in the area of the co-op. In fact, we are serving the residence of the manager of the old Lehigh plant on the same site.

Senator ELLENDER. You were doing that before you built this new line?

Mr. WISE. Oh, yes, sir. We had been doing that for a long time, I don't know how long.

Senator HOLLAND. May I ask a question right there?

Were these 140 farm users already being served before the heavier line, transmission line, was built in there? Were they already being served over the existing weaker line?

Mr. WISE. Some of them were, and I think the finding of the district court is that they were being served then. No, that this line would be necessary to serve them, I am sorry, the new line. My guess is that most of them were there with some new houses or new other consumers coming along the line.

Senator HOLLAND. Is this what you mean? That the 140 who were there were probably being served by existing facilities, but that the extended new line, the new transmission line, has now been used to serve more private users, making a total of about 300.

Mr. WISE. Yes, sir; and also making it possible, which it would not have been for a long period of time, to continue service to those who were already there.

Our studies show that the load of REA cooperatives doubles about every 5 years, and the new line is what REA calls heavying up. Most of the lines today are made for heavying-up purposes.

Senator SCHOEPEL. In other words, what you were doing there was you were building the line not only for this plant, but also to compensate for the demands for your additional load factors that were progressively developing?

Mr. WISE. That is it, each year would develop more, additional load and it would double every 5 years.

I also want to emphasize that the company had no franchise to serve in there or to build a line in there, and the cooperative did. Now the company appealed that decision of the Iowa commission to the district court of Iowa, which made the finding as I told you, and affirmed the decision made by the Iowa commission. Then they filed an appeal with the Supreme Court of Iowa, but I think it became even a little too ridiculous for their lawyers to continue with it. They finally dropped that appeal. Then they came down here and went to the district court. Now I have struggled and struggled in my mind to see how they could have done that for any reason other than harassing purposes, because that very identical point had been decided

by the district court—no, not by the district court here, by the court of appeals here—and certiorari had been denied by the supreme court with respect to the same point as it affected REA. The same problem had been decided with respect to numerous other agencies, including TWA's power program, so I can see no possible reason for them coming down here but they did and as Mr. Rathbun pointed out to you they took it all the way up to the Supreme Court of the United States and got no place.

However, I want to be very fair. The issue there did not go as to the merits but it went as to their standing to sue, to file suit, which they must have known was going to turn out that way.

I would like to emphasize I went into these facts on this particular customer only because there had been so much discussion of it here. We feel that the Administrator acted very carefully. Actually, as pointed out, he once sent this application back to get the facts straight. He made a loan, a large loan, to this generating and transmission cooperative long before this controversy arose, or some time before it arose. Then, as they must do, the cooperative came in for approval of this particular extension of this high transmission line; and when REA found out that it was chiefly to serve this company, REA said they did not have enough information to find that this was a customer not being served; so they sent it back to the cooperative.

It was after that that the local cooperative came in with all this information to justify the loan, that is, to show that the customer was not receiving central station service.

Senator HOLLAND. Just a moment there. You are now dealing with the fact that the REA turned down the loan in November 1955, but later approved it in June of the next year.

Mr. WISE. Yes; being a little technical, they did not turn down the loan.

Senator HOLLAND. Maybe I have the years wrong.

Mr. WISE. I am not sure of the exact date.

Senator HOLLAND. I believe they turned it down in November 1955; later approved it in June 1956.

Mr. WISE. I don't think the words "turned down" is an accurate description of it, though it was used in the testimony.

Senator HOLLAND. What would be your word?

Mr. WISE. It was sent back to them; and this is my understanding—and I got this information from the local cooperative people, not from REA; REA said:

We do not have enough information here that we can justify going ahead with this on the basis that this customer is not now receiving central station service.

Senator HOLLAND. Unless there is objection from the committee, I think that we should request the REA administrator to file for us in the record a clear statement of what happened on the first rejection or sending back, or whatever it was, and then why the later action was taken to approve.

Mr. WISE. An excellent suggestion.

Senator HOLLAND. Is there any objection to that request?

(The information requested is as follows:)

The Greene County Rural Electric Cooperative (Greene County) proposal to serve a new plant of the Lehigh Sewer Pipe & Tile Co. (Lehigh) was received by REA during the week of May 16, 1955, with a request for REA's recommendation

for appropriate power rates based on two alternative plans of construction. Under either plan, construction of a transmission line and a substation was required. Under one plan, Greene County would build both. The other plan provided for the construction of the transmission line by Central Iowa Power Cooperative (CIPCO). On May 27, 1955, REA recommended a rate schedule under each plan.

On September 9, 1955, REA approved a loan to CIPCO in the amount of \$11,173,000 for construction of generation and transmission facilities, including the Greene County Lehigh tap.

On October 4, 1955, Greene County contracted with Lehigh to furnish service to Lehigh's new plant.

On October 8, 1955, Greene County forwarded a copy of the Lehigh service contract to REA. On October 27, 1955, it was found by REA's retail rate section to be satisfactory as to rate matters. However, on November 15, 1955, the contract was returned to Greene County by REA without approval on the basis of the available data indicating that Lehigh was already receiving central station service from the Fort Dodge, Des Moines & Southern Railway.

In April 1956, REA was requested by both Greene County and CIPCO to reconsider its action in connection with the Lehigh service. A field investigation was made on May 9, 1956. The investigator's field report, additional data supplied by Greene County and CIPCO, and information furnished by Lehigh, established that the proposed service would be to a completely new, separate, and independent plant. On the basis of this determination, the proposed service to Lehigh was approved on May 24, 1956. The facts also established that there was no existing 60-cycle service which met Lehigh's requirements.

On May 31, 1956, Greene County and CIPCO were advised that the proposed service was approved. On June 19, 1956, a contract dated November 25, 1955, covering the service was returned to Greene County with REA's approval endorsed thereon.

Mr. WISE. The point I am trying to make is to show how much care REA exercised, how conservative their approach was. I must say the local cooperatives think entirely too conservatively, but REA was in there protecting the intent of Congress as exhibited, as set forth in the Rural Electrification Act of 1936.

But I want to emphasize that this point is such a small portion of the problem which is before us now. Had the Comptroller General limited himself to that narrow point which would have disposed of this case, I doubt that we would be here today, because obviously reasonable men can differ as to whether a particular case is central station service or is not. This committee may reach one conclusion, a court another, another committee another. I am sure within REA different people might come up with different conclusions on a close case.

Senator TALMADGE. May I interrupt there? We have heard these words "central station" a great deal during these hearings. Just exactly what does that term mean?

Mr. WISE. That was put into the act for one reason only, the legislative history shows. At the time that REA was created, about 10 percent of the farmers in this country were receiving electric service from power companies or municipalities or some other supplier. A large number of farms had their own Delco system. Fairbanks Morse had such a system, too. I'm sure you are familiar with them, different types of individual units which a farmer could buy and place on his farm. So the words "central station service" were put into the act to distinguish from the case where you have the situation Senator Aiken was speaking about this morning, some kind of a portable unit from which you generate electricity. Central station service as used in the act means service which you get from a high line which is connected to a generating plant. It can be either diesel, steam, hydro, or we hope before too long, atomic, or whatever it might be.

Senator HOLLAND. In other words, there was no intention at all of lending to ruralists to buy and install their own privately operated power units?

Mr. WISE. There was an interesting consideration of that when the act was first passed by the REA itself. They decided against making such loans. There is nothing in the history to show they were intended. The language of the act is broad enough that they could have made such loans. I have been speaking not about the type of equipment for which loans could be made but as to this limitation as to which people cannot receive service from an REA borrower. It is there where centralization service is used.

The act reads:

Loans may be used to finance the construction of facilities to serve persons in rural areas not receiving central station service.

It is clear that it refers to persons and not to the area, as we also will show in a minute, but the reason for putting the words "central station service" in was so that you could still serve a farmer even if he had a very expensive Delco system. Some of them ran into the thousands of dollars where there was a big dairy. That does not prevent the REA from going in and serving that farmer.

Senator HOLLAND. But it does prevent the REA from going in and helping a dairy install a separate individual system of its own?

Mr. WISE. No, sir. I think under the act REA could do that but they decided as a matter of policy never to do it and they have not made such loans. That was decided very early in the history of REA.

Senator HOLLAND. That is decided by regulation and not by the act itself?

Mr. WISE. That is right, sir. That is my interpretation of the act. That has not even been discussed, so far as I know, for years and years, but my hazy recollection of it is that that was the decision back then.

Senator HOLLAND. All right, sir; proceed.

Mr. WISE. Getting back to the reasons REA held the new Lehigh plant was not receiving central station service: (j) the rate which the present supplier wished to charge for service to the new plant was so high that it would make the plant uneconomical to operate; and

(k) The present supplier did not have the franchise required to undertake the reconstruction necessary to serve the new plant.

Although the ruling that the new plant could not be considered a person not receiving central station service was palpably completely erroneous, it did not cause too much concern insofar as the overall program is concerned since its effect would have been limited to the facts of this particular case.

However, the Comptroller General was not content to base his decision on this narrower point which would have disposed of the case.

As a matter of fact, he devoted only two paragraphs of his rather lengthy opinion to this ground for his holding. In contrast, he labored at great length to attempt to establish his other point which is very broad in its scope and which would directly and disastrously affect almost every loan which had been made in the past or might be made in the future.

His broad ruling meant that REA could not finance facilities to serve unserved persons in all rural areas, but only to serve unserved persons in some rural areas.

After it was clearly pointed out to him by the Department of Agriculture and NRECA that this ruling was not only completely without basis, but would have prevented the creation of any rural electrification program, the Comptroller General changed his ruling.

In his second ruling he emphasized that when he spoke of persons "who are not tied to the powerlines," he meant those not "on," or "alongside of," or "adjacent to," or "within a reasonable distance of," the power company lines—whatever these terms may mean.

These two rulings are completely in error and can do tremendous harm to the rural electrification program if they are not nullified by Congress. It is to prevent this harm that we are pleading with you for the passage of Senate Resolution 21.

In short, what Senate Resolution 21 will do is merely to have the Senate indicate that it meant what it so clearly and plainly said in section 2 and section 4 of the Rural Electrification Act, when it authorized the REA Administrator to make loans "to serve all persons in rural areas who are not receiving central station service."

There can be no question about the meaning of this provision of the Rural Electrification Act. Even the Comptroller General admits—I would like to emphasize this, this is his admission:

* * * literally accepted the terminology of section 4 (and sec. 2) is sufficiently broad to authorize a loan for the purpose of furnishing central station electric service to a person not receiving such service, even though the service is available to such person and that the effect of the loan will be to create competition with an existing private utility.

That is Comptroller General whom I am quoting.

However, even though the Comptroller General admitted that the meaning of the act is clear, he stated that he had the right to look to the legislative history to make certain that the act was applied in accordance with the intent of the Congress.

This is not in accordance with the well-established law on the subject.

As all the gentlemen around this table well know, the law is clear to the effect that legislative history is relevant only when the language of the statute involved is ambiguous. When the language of the statute is clear and unambiguous, as even the Comptroller General admits it is in the instant case, the courts will not look beyond the language of the statute.

Therefore the Comptroller General was wrong in looking beyond the plain meaning of the act and examining the legislative history.

But beyond this, he compounded his error when he took a legislative history that clearly showed that Congress meant exactly what it said in the act and attempted to prove that the legislative history was not clear—and then used this alleged, but nonexistent, ambiguity in the legislative history to change the meaning of the plain language of the act.

In other words, the Comptroller General's argument amounts to taking alleged ambiguous legislative history to change the plain meaning of a clear and unambiguous statutory language. This he obviously had no right to do.

Actually, of course, the legislative history completely supports the position taken by the Rural Electrification Administrators and the Department of Agriculture over the many years the rural electrification program has been in existence—and the Comptroller General's treatment of that legislative history was most unusual.

In his first letter, the Comptroller General ignored almost all of the legislative history even though he was basing his opinion on it. He quoted only a few brief excerpts, which he then attempted to interpret as supporting his position—and whatever he quoted, he quoted out of context, even to the extent of omitting paragraphs from the very same parts he quoted when those paragraphs were clearly opposed to the position he was taking.

In fact, we felt compelled to comment that the most important parts of the Comptroller General's legislative history were the asterisks used to show omissions.

Thus, he omitted this statement by Senator Norris, who sponsored the bill in the Senate, and this appears between some of the language which he read to you this morning, this statement by Senator Norris:

The fact is that if we provided in this bill that the rural electrification could not go into any territory that could be potentially held to be within the transmission distance of an existing central power station, it would mean that we probably would continue the conditions which have existed in the past. In many instances, if not in most instances, the central power stations have picked out the cream in a certain locality and have built lines and supplied it with electricity (80 Congressional Record 2751, p. 3).

And this colloquy between Senator King and Senator Norris:

MR. KING. If an organization were formed beyond the 10-mile limit to which I have just referred and within which limit the farmers are supplied with electric energy, that organization would not be permitted to come back into the 10-mile area to furnish light to farmers already receiving it?

Remember Mr. Norris was the sponsor of this bill.

MR. NORRIS. Not to those already receiving it, but it might come into the 10-mile area and supply farmers who were not receiving it—

and I cannot emphasize this next sentence too much:

That is a distinction which I think ought to be drawn (80 Congressional Record 2752, p. 3).

The Comptroller General, in his July 21 letter——

Senator TALMADGE. What does that colloquy have reference to?

It is not too clear. They use a 10-mile limit and so on.

MR. WISE. My recollection of that, and it is in the brief here, is that Mr. King referred to a company, and I think it was in Washington, which was serving a 10-mile area, I believe extending over into Virginia. He further referred to an REA borrower organized to serve unserved territory beyond the 10-mile area already served.

In other words, he was going into this area concept. Mr. King was supporting the area concept which the Comptroller General has adopted and which Mr. Whitmore urged on this committee. Mr. King asked:

“Could the co-op come back into that area and serve people?”

Mr. Norris said it could not come back into this 10-mile area to serve persons already served. There is no particular significance to the 10-mile area. It would describe any area, in my opinion. Mr. Norris said that they could not come back into the area and serve persons

already receiving service, but they could come back into the area to serve the unserved.

And then he said: "That is a distinction which I think ought to be drawn."

And we will show later he draws that distinction again. That is the distinction here, and if I may go ahead, I will come back to that in a minute.

The Comptroller General in his July 21 letter, also omitted reference to many other important parts of the legislative history, such as pertinent statements in the House hearings on the bill; the fact that the bill originally provided only for service to "unserved rural areas"—in other words the bill as originally introduced in the Senate adopted the Comptroller General's position and he would have been right had it been passed in that form. It had an area limitation rather than a person limitation.

It provided only for service to "unserved rural areas" and was specifically amended to provide for service to "unserved persons in rural areas"; I would like to say in that connection that the colloquy which Mr. Keller read this morning for the GAO and from which we have been quoting took place when the section of the act which they were discussing still had in it the "area" limitation and not the "person" limitation.

In spite of that fact, even with that language in it, Senator Norris drew the distinction as between unserved persons and unserved areas. But that language was cleared up later.

The one section was cleared up in the Senate committee when it was reported out, either section 2 or 4, I am not sure which. The other section was later cleared up on the floor, though the history is very vague as to just where it happened or how it happened. But Senator Norris, when he announced that both sections now had the "person" limitations rather than the "area" limitation, made this statement or a statement to this effect: "This will clear up the matter that I believe Mr. King and I were talking about previously." In other words this distinction between a limitation on an unserved area and a limitation on an unserved person.

When you read all the legislative history together, not taking any point out of context—you can take a sentence here or there which would sound the other way—it is submitted there can be no question as to the distinction. There is a lot of talk about not having competition with existing lines, but it is very clear when you read all of that it is talking about competition with a company by serving particular persons already served by the company, and that you cannot compete by taking those persons away. I submit the REA has had a most really outstanding record in that connection.

There have been almost no cases. There have been a very few here and there where an eager beaver in a local co-op may have taken a customer or two from the power company but almost none. On the other hand, the REA files are full of cases where the companies are constantly taking members away from the co-ops, and much more significant than taking members away is where they come into an area where the co-op serves the entire surrounding area, where the company has refused to go in originally when the farmers wanted service, but now goes in because a good load develops there, and serves the

good load, the situation you mentioned, Senator Talmadge, yesterday, I believe, about a big load coming in there.

It is our interpretation that no matter what the nature of that load is, if it is in a rural area and is unserved, REA loan funds may be used to serve that load and we think the act is certainly clear to that effect. The Comptroller General admits that the language of the act is clear and we feel that the legislative history is equally clear.

Now the rejection of the King amendment, which provided for precisely the limitation sought by the Comptroller General; after the committee had amended the one section, and on the floor the other section had been amended to take out the "area" restriction and make it a "person" restriction, Senator King introduced an amendment which would have made it clear that you could not serve an unserved area, and that amendment was defeated. So that legislative history never referred to by the Comptroller General in itself is almost determinative of this situation we submit.

And the refusal of Congress over the years to restrict the lending powers of the Administrator despite the many attacks by opponents of the program was likewise ignored by the Comptroller General.

Committee after committee up here has heard protests from companies who wanted to keep the REA out of a certain area or from serving a particular type of load and no action ever has been taken by Congress.

The Comptroller General also ignored the fact that he was attacking an administrative interpretation of the act which has been consistently followed for more than 22 years, with the full knowledge of Congress; that every Government lawyer who had had any legal responsibility for REA work had so interpreted the act; that previous Comptrollers General had agreed then with that position.

I don't have the time to read from them but they are in our briefs, sir, and in the Department briefs. Those opinions of the Comptroller General are set out in which previous Comptrollers General had taken the position which we now take.

The Department of Justice had taken the same position in briefs filed in the courts; the Department of Justice adopted the very same positions we are adopting here completely in conflict with the Comptroller General's opinion. They did it in that Kansas City case. They did it also in this very case. They submitted a brief in the district court. While the district court case was decided on standing to sue only, the briefs submitted, the case presented ran the gamut of this whole situation, and there are affidavits in there by the officer, the managing officer of Lehigh Pipe Co. which support the fact I have been stating here today.

That was ignored completely by the Comptroller General, the fact that the Department of Justice had agreed with the Department of Agriculture. And that the U.S. District Court for the District of Columbia has approved that interpretation. All of these the Comptroller General ignored.

In the Kansas City case referred to previously, when it got up to the Court of Appeals, it was decided on the technical grounds, standing to sue. In the district court however the judge went into the case thoroughly and decided the case on the merits. The very

same arguments made by the Comptroller General and by Mr. Whitmore were presented there by the power company. The facts of the case were different but the legal arguments, the question of an "area" limitation as contrasted to a "person" limitation was presented fully by both sides to the court and was decided in our favor, in favor of the position we are taking here today.

If you will read the Comptroller General's letters carefully, it is striking he almost lifts, if not the exact language, some of the language and the ideas out of the brief of the Kansas City case filed by the power companies. It is a very striking fact.

In his second letter, the Comptroller General quotes a little more extensively from the legislative history, but he still quotes out of context—he still misinterprets legal opinions—and he—the legal opinions I refer to are opinions prepared by the Department of Agriculture—and he still ignores most of what proves him to be wrong.

In the few cases where he does face up to the legislative history that proves his position to be wrong, he does not answer or dispose of that history, but he merely concludes that he does not feel it meant what it said.

I submit, if you will read those letters, that is precisely what happened there. He does not answer our arguments. He does not answer this legislative history which shows clearly what Congress meant. He quotes it in his second letter and then says "We do not feel this means that you can do this," which is precisely what Congress said you could do.

I could go on and on to document the errors of the Comptroller General, but that has already been done in our brief and analysis and in the splendid analyses of the lawyers in the Department of Agriculture who perform the legal services for REA.

I hope you will read those briefs and analyses. I am sure that you will agree that these rulings of the Comptroller General are completely in error.

Instead of dwelling further on that point, therefore, I want to emphasize the harm that those rulings would do if applied.

First I may say, and I say this very conservatively, in my opinion almost no REA's or co-op projects which are today in existence would have ever been started if this ruling were in effect.

I know from my own personal experience. I was raised on a farm that did not have electricity. Just a little over a quarter of a mile away was a line. To get service to us we would have had to pay \$900 for which we would have received nothing. It would have gone to the company. We would have had a minimum bill of \$12 per month. We might or might not have been able to pay the \$12 per month but \$900 in those days to a farmer was simply not something you even considered. The only people who had electricity were city people who had moved onto farms not for the sake of farming but to have a place to live in the summertime. No farmer could afford it, and that was true all over the country.

There were some power company lines in virtually all rural areas except in the wild and woolly places. But in the States represented here today, I mean by the members of this committee, you would find almost no area when this program started that there were not

some power company lines. If they had been willing to serve at the proper rate, REA would not have been necessary.

That opinion would have stopped the development of REA. If you will look into the history of REA, you will find what is referred to as a very active spite-line activity. In almost every case where the co-op did start after the farmers had attempted for a long time to get service, the power companies started building in there, and lots of those lines are still in there today.

The spite lines were completely ignored by REA. The only test which REA applied was: Did that particular person who was to receive service have central station service now? If he did not, he got service. If he did, he did not get service. There was no area limitation of any kind, and that has been followed straight down the line.

Today the situation is even worse because they have moved in—by they, I mean the power companies—into so many cooperative areas where a good load has developed that they have a line running through almost all cooperative areas. Now if you apply the test even as limited by the second letter of the Comptroller General, there would be very few people who could be served by the cooperatives because the companies are there.

Whenever there is a controversy they say "Sure we will serve." I have recently myself worked on two cases for Wisconsin cooperatives who are in an area completely developed by the REA but with some Wisconsin Power Co. lines going through there. Now good loads are developing. One is a NIKE load. The other is a radar load. The companies want them and they are shooting right in there. In one case, their line was only three-quarters of a mile away, another it was closer than that.

What is meant by the Comptroller General's letter when he uses those various terms "alongside", or "with an extension", we just don't know. They are not terms recognized in the industry.

Their meaning would depend upon any particular individual who had the job to interpret them. But we want to emphasize to you that if you don't upset this opinion, if this opinion stands, there are very few good loads in my opinion, and I say this very sincerely and after having given it a lot of thought, from today on the co-ops are going to get almost none of the good loads. Now why is that so important?

It is important to the Government for two reasons. One, we want to see that area developed properly. Two, the costs are going up constantly of these cooperatives, one of the biggest costs being wholesale power. Power companies are raising their rates all over the country for wholesale power.

Unless the cooperative can serve some of the good loads that come in there, they are not going to be able to repay their loan.

Now that is not true in your very rich co-ops, but in hundreds of them throughout the country that is true. This is also true because in many areas for one reason or the other the farmer is moving off the farm and simply abandoning it. The number of services which cooperatives have built and at one time served and that are now standing idle has grown into some astronomical number.

Do you know how many it is?

Mr. ELLIS. About a third of a million.

Mr. WISE. On about a third of a million farms where the cooperative built the service, things got so bad for the farmer he simply threw up his hands and moved off. Unless these cooperatives can serve some of the cream which moves in there such as this Lehigh Co. plant, cotton gins, garages, little food processing plants—there are a lot of them spreading throughout the country, Senator—the Government is not going to get its money paid back from a large number of cooperatives, and it is certainly not fair to those people who only developed the cooperative because they could not get service otherwise, to let somebody else come in and take it away as we submit they would do under this opinion.

The Comptroller General's opinions would stop all loans for generation and transmission; they would require a tremendous amount of administrative work by REA to determine the exact location of all unserved persons, to be served by a loan, with relation to power company lines—and then they would require the Comptroller General's approval of every such loan, because the criteria he has established are so vague they are incapable of direct application; they would prevent loans to serve unserved persons right in the heart of a cooperative's territory because a power company transmission line was nearby; they would prevent loans to serve such persons even though the cooperative's lines were there first, or the company's lines are inadequate.

These are but some of the ways in which the Comptroller General's rulings, if applied, would harm the rural electrification program. There are many more set forth in the briefs and analyses filed with you. These damaging effects could easily mean the financial ruin of the cooperatives and the loss of the Government's investment in them.

The Comptroller General has not admitted that he was wrong. He merely states that he will report the matter to Congress and will take no action to recover the money lent by REA on loans of the type in question unless Congress tells him to do so.

Thus, he still adheres to his position, and the threat still exists that he will take these destructive steps against REA borrowers whenever he thinks that Congress intends he should do so.

This is very interesting about these three letters. The first one went all out. REA had to get this money back—the \$120,000. "Take immediate steps," I believe were his words. In the second one he said "Well, in view of what you say on this" and also, I might add "in view of some developments" which had taken place on the Hill, some speeches by Senator Aiken and a number of other people up here, "We won't make you get the money back but don't do it again."

He didn't say "Don't do it again," but that is in there just as clear as if he had said it. Then when some real protests started to be uttered up here on the Hill, along came the third letter, and in that he said "You don't have to get that money back. We won't take action in connection with future loans. We will merely report it to Congress and won't do anything unless they tell us to."

But in each of the letters he maintains still that he was right in his legal opinion, as Mr. Keller very forthrightly did here again this morning. Now let's see what that will do to us.

Even though not applied, the mere existence of these rulings, without a clear statement of the Congress disapproving them, will do great and incalculable harm.

They will serve as a source of widespread propaganda attacks against the rural electrification program; they will be used against the rural electric cooperatives in commission and court cases—remember an opinion by the Comptroller General is extremely persuasive in either court or commission cases. They may have the effect of causing the Administrator of REA not to make loans which he otherwise would—and should—make.

That these are not idle fears is proved by the fact that the opinions have already been used against a cooperative in a commission proceeding.

In New Jersey, the question before the commission was whether to approve the sale of Tri-County Rural Electric Cooperative to Jersey Central Power & Light Co.

An important issue was the ability of the cooperative to serve new consumers coming into its area. Proponents of the sale argued that, in view of the Comptroller General's opinion, REA loan funds might not be available to serve such new consumers, and therefore the public interest would best be served by having the power company take over.

REA borrowers are very worried about the adverse effect of these rulings. In the fall of 1958, at the 10 regional meetings of the members of NRECA, all 10 regions adopted resolutions on the subject.

I have attached to my statement a copy of a resolution adopted in identical or similar form by 9 of the 10 regions—the remaining region adopted a brief but forceful resolution to the same effect.

I have also attached to my statement a copy of the resolution unanimously adopted by the delegates to the annual meeting of NRECA, held in Washington this past month.

It is of the utmost importance that Senate Resolution 21 be passed—so that the Comptroller General, the Administrator of REA, the REA borrowers, and the country at large may know that Congress intends the Rural Electrification Act to be administered as it was written and as it has been administered these past 22 years.

Mr. Chairman, I want to express my thanks and appreciation to you and to the members of the committee for permitting me to testify. I apologize for being so long and for the digressions, but the matters which had come up yesterday and this morning I thought required that.

Thank you very much, sir.

(The resolutions referred to above are as follows:)

RESOLUTION ADOPTED BY THE REGIONS (FALL 1958)

Whereas a ruling by the Comptroller General of the United States on a loan made by REA to a GT cooperative in Iowa imperils the entire lending program of REA; and

Whereas by this ruling the Comptroller General has usurped and attempted to nullify the declared will and intent of Congress; and

Whereas under this ruling loans amounting to millions of dollars made by REA in conformity with the Rural Electrification Act would be illegal; and

Whereas this ruling is a complete misinterpretation of the REA Act: Now, therefore, be it

Resolved, That we approve and commend the counsel for the Iowa cooperative, William Wisdom and L. F. Wilcox, the special counsel for NRECA, Wise and Potamkin; the Assistant General Counsel of the Department of Agriculture, E. F. Mynatt, for their fine briefs pointing out the defects of this ruling; and be it further

Resolved, That the cooperative respectfully request the Comptroller General to rescind this ruling; and be it further

Resolved, That if the Comptroller General does not rescind this ruling, the Congress be requested to nullify the ruling.

RESOLUTION ADOPTED AT NRECA ANNUAL MEETING FEBRUARY 12, 1959

Whereas the Comptroller General has raised questions about the intent of Congress in enacting the Rural Electrification Act of 1936; and

Whereas Senator Aiken has introduced Senate Resolution 21 reaffirming the intent of the Congress with respect to the REA Administrator's loan-making authority; and

Whereas the following Senators also joined with him in sponsoring the Senate Resolution 21: Senators Kuchel, Humphrey, Sparkman, Kennedy, Young of North Dakota, Cooper, Mansfield, Hill, Hennings, Curtis, Murray, Langer, and Clark: Now, therefore, be it

Resolved, That Senator Aiken and his colleagues be commended for their support of the REA program and urge the Senate to take favorable action on this resolution.

Senator HOLLAND. All right, gentlemen.

Senator Talmadge?

Senator TALMADGE. No questions.

Senator HOLLAND. Senator Schoeppel?

Senator SCHOEPPEL. No questions.

Senator HOLLAND. Senator Ellender?

Senator ELLENDER. No questions.

(Discussion off the record.)

Senator HOLLAND. Mr. Ellis, do you want to testify?

STATEMENT OF CLYDE T. ELLIS, GENERAL MANAGER, NATIONAL
RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. ELLIS. Very briefly. First, I would like to submit the statement which I have prepared for the record including the resolutions of our people; except, that I believe Mr. Wise and I have some duplication and we would check with the committee clerk to eliminate those from mine that are in his, with your permission.

I would like, in the interests of time, to say nothing further about Senate Resolution 21. You asked Mr. Wise if he prepared it. He said "No." We of NRECA did not either, although there was great apprehension about what to do with it, and we were pleased to see some senatorial effort to resist it.

Mr. Chairman, I did want to say that we very strongly urge your approval of Senate Resolution 21.

(The prepared statement of Mr. Ellis is as follows:)

My name is Clyde T. Ellis. I am general manager of the National Rural Electric Cooperative Association of which more than 90 percent of the rural electric systems financed by REA are members. Our member systems serve approximately 4 million farms and other rural establishments in 46 States.

We appreciate the opportunity to be heard at the hearing on the matters before you which we consider of great importance to the rural electrification program. I would like to express our strong support of Senate Resolution 21 which deals with the Comptroller General's ruling on REA's loan-making authority. Also I would like to express our apprehension over Senate bill 75 which states that it is designed to divorce REA from the Department of Agriculture and establish it as a separate and independent agency, but which would also do some other things.

SENATE RESOLUTION 21

I will turn first to Senate Resolution 21. I wish to make a short statement. In addition, you have heard our special counsel, William C. Wise, for many years a high official of the Rural Electrification Administration and presently an attorney practicing here in Washington. He served as our special counsel in analyzing and opposing the Comptroller General's ruling last summer and fall.

Less than a month ago our association held its annual meeting in Washington. More than 7,000 managers, directors and members of our rural systems attended. While they were here, the voting delegates unanimously approved a resolution urging strong support for the Aiken resolution dealing with the Comptroller General's ruling.

Mr. Wise, I believe, has submitted this resolution for the record.

It will be recalled that the Comptroller General issued his first ruling, at issue here, in a letter on July 21, 1958. At that time he ordered an unprecedented restriction on the Rural Electrification Administrator's loan-making authority. The ruling completely reversed congressional intent as set forth in the 1936 law and ignored 23 years of subsequent administrative policy and congressional support. The ruling would have killed the REA loan program and would have jeopardized hundreds of loans outstanding.

Protests were immediately registered by the U.S. Department of Agriculture, Members of Congress, rural electric cooperatives and the National Rural Electric Cooperative Association. Briefs were filed by the U.S. Department of Agriculture General Counsel, by the Iowa co-ops concerned with the specific case and by NRECA.

As a result of these protests, the Comptroller General issued a new letter to the Secretary on October 15, 1958, amplifying his previous ruling. In his new version, the Comptroller narrowed the extent of the limitation he would place upon the REA Administrator, but he did not change his basic position.

It is ominously clear that unless this ruling is withdrawn, or changed, or ignored—and I do not think it can be ignored—the REA program will be permanently damaged. At this point apparently only Congress can avert the effects of the Comptroller's disruptive and destructive ruling.

That is why we consider it most urgent that you approve Senate Resolution 21 and that the Senate pass it as speedily as possible.

(Whereupon, at 12:30 p.m., the subcommittee proceeded to take up other matters.)

(Additional statements filed for the record are as follows:)

BRIEF FILED BY THE CENTRAL IOWA POWER COOPERATIVE

SEPTEMBER 3, 1958.

Re: Comptroller General's letter,
Dated July 21, 1958,
File No. B-134138.

HON. JOSEPH CAMPBELL,
Comptroller General of the United States,
General Accounting Office,
Washington, D.C.

DEAR SIR: The undersigned are attorneys for the Central Iowa Power Cooperative (hereinafter referred to as "CIPCO"), Cedar Rapids, Iowa. One of its members is the Greene County Rural Electric Cooperative, Jefferson, Iowa (hereinafter referred to as "Greene").

In September 1955, the Administrator of the Rural Electrification Administration approved a loan of some \$11,173,000 for the construction of certain electrical generating and transmission facilities to serve its eight distribution cooperative members representing some 30,000 rural consumers. Included in this loan was approximately \$120,000 for the construction of a transmission line to serve a load center of Greene near Lehigh, Iowa.

The load center to be served near Lehigh consisted of approximately 140 farm members immediately, provide two-way feed for approximately 110 additional farm members, and serve a new load from the Lehigh Sewer Pipe & Tile Co. (hereinafter referred to as "Lehigh"). It should be particularly noted that

the Lehigh substation serves more than 300 members of Greene, in addition to the Lehigh Sewer Pipe & Tile Co.

On or about May 31, 1956, CIPCO applied to the Iowa State Commerce Commission for a franchise to construct the appropriate transmission line to the new load center, and on July 10, 1956, hearing was held before the Commission on that application. Iowa-Illinois Gas & Electric Co. (hereinafter referred to as "Iowa-Illinois"), appeared at that hearing, by W. B. Waterman and E. J. Hartman, attorneys, and L. W. Laughlin, an engineer, and vigorously contested the granting of the franchise, contending that the Commission should investigate whether or not CIPCO was a proper borrower from REA, and contending that the line would be in competition with Iowa-Illinois.

The Commission overruled the objections of Iowa-Illinois, and granted the franchise on August 28, 1956.

On September 10, 1956, Iowa-Illinois filed its petition for writ of certiorari in the District Court of the State of Iowa in and for Polk County, contending that the Iowa State Commerce Commission had acted illegally and exceeded its powers and jurisdiction, among other things, in issuing the franchise to CIPCO. The matter was fully argued and presented to the court, and on April 15, 1957, the court filed his findings of fact and conclusions of law, including the following:

"1. Iowa-Illinois Gas & Electric Co. has not established any right or interest sufficient to file objections before the Iowa State Commerce Commission, or to prosecute this action before this court."

On May 18, 1957, Iowa-Illinois filed its notice of appeal to the Supreme Court of Iowa, and on August 13, 1957, filed its dismissal of appeal, without filing a record or other document.

Among the stipulated facts in the above referred to case were the following:

1. Iowa-Illinois owned certain transmission lines in Webster County, Iowa, and served the plant of Lehigh Sewer Pipe & Tile Co., with 25-cycle electrical service.

2. Iowa-Illinois acquired these transmission lines from Fort Dodge, Des Moines & Southern Railway Co. on March 15, 1936.

3. If the Secretary of the Commerce Commission were called as a witness, he would testify that he had examined the records of the Commission and found no franchises for electric transmission lines in Webster County to the town of Lehigh or the vicinity thereof, issued to Iowa-Illinois or Fort Dodge, Des Moines & Southern Railway Co.

At the same time this matter was before the Iowa court on certiorari to the Iowa State Commerce Commission, Iowa-Illinois was the plaintiff in an action against the Secretary of Agriculture and Administrator of the Rural Electrification Administration in the Federal courts in Washington, D.C., seeking to require the cancellation of that portion of the loan applicable to the construction of the transmission line to the load center in the vicinity of the town of Lehigh. The Federal District Court held Iowa-Illinois had no standing to sue; the Circuit Court concurred; and the Supreme Court of the United States denied certiorari.

On October 10, 1957, Iowa-Illinois addressed a letter to the Comptroller General, over the signature of Charles H. Whitmore, president, and concurred in by its Washington attorneys, E. Fontaine Bronn and Henry T. Rathbun, seeking the intervention of the office of the Comptroller General to accomplish what it had not been able to accomplish before the Administrator of the Rural Electrification Administration, the Iowa State Commerce Commission, the District Court of Iowa, the Federal District Court in Washington, the Federal Circuit Court, and the U.S. Supreme Court in Washington.

Iowa-Illinois filed further letters with the Comptroller on March 3, 1958, and March 26, 1958.

It might be here pointed out that although the Comptroller General contacted the Rural Electrification Administration in this matter, and although the complaint was filed by the Iowa-Illinois Gas & Electric Co., he made no contact with Central Iowa Power Cooperative or the Greene County Rural Electric Cooperative prior to the issuance of his decision dated July 21, 1958.

Does the Rural Electrification Act refer to service to "persons" or "area" not receiving central station service?

Your decision states as follows:

"It is clear from the above-quoted statements that the purpose of the central station service limitation was to exclude loans for the paralleling of existing

systems or creating competition with existing facilities by prohibiting the use of loan funds for construction of transmission lines and substations to furnish power to an area already served by private power companies when such companies are willing to provide adequate central station service to persons within the area who are not tied to the powerline."

We defer to the very excellent brief filed by Wise & Potamkin on behalf of the National Rural Electric Cooperative Association on the congressional debates and case law to the point that Congress specifically and without possible other interpretation, referred to a "person," and not to service to an "area" as concluded in your decision.

We would concur in the proposition that had your decision been the interpretation of the Administrators of the Rural Electrification Administration since its establishment, there would never have been a loan made under the Rural Electrification Act.

We attach hereto a photocopy of a contract between Iowa Public Service Co. and Charles W. Shipton, Allison, Iowa, dated October 7, 1943, and statement dated February 4, 1944, showing \$781.50 paid February 2, 1944. It will be noted that under this contract, Iowa Public Service constructed 4,426 feet of transmission line and furnished a 3-kva transformer and a watthour meter, to furnish electric service to the farm of Mr. Shipton. Mr. Shipton paid for the line, but never owned it, and paid the standard rate for all the electricity he used. We contend that practically every farmer in America could have had electric service by paying this same tribute to the power companies for the construction of the line, and then paid the standard power rates for the electricity used. Under the above interpretation of the Rural Electrification Act, some power company was willing to furnish power to a person in an area being served by it, even though the person would be required to pay for both the cost of providing him with the service, and the standard rate for the electricity used.

This is the same "offer of service" made to Lehigh by Fort Dodge, Des Moines & Southern Railway.

Your paragraph above refers to "paralleling of existing systems," and "creating competition with existing facilities."

We would point out that the material filed with you by Iowa-Illinois includes a copy of the proposal of May 19, 1955, of Fort Dodge, Des Moines & Southern Railway. It should be carefully noted that that proposal includes the construction of some 14 miles of transmission line and related equipment at an estimated cost of \$97,400. We believe this estimate is ultra-conservative, and that the actual construction cost would have far exceeded this estimate. This possibility is also recognized by Fort Dodge, Des Moines & Southern Railway, since Lehigh would have been required to pay 15 percent of actual construction cost, and of the estimated cost. The actual construction cost of Cipco to serve a load center serving more than 300 farm consumers as well as the Lehigh requirements was some \$105,000.

It is, therefore, evident that there were no "existing systems" to be paralleled. Any supplier would have to build substantial construction to serve the load of Lehigh. And in the case of Cipco, it served the needs of some 300 other consumers as well.

Was the Lehigh Sewer Pipe & Title Co. a "person" in a "rural area" receiving "central station service" at the time of its contract with Greene County Rural Electric Cooperative?

We shall devote our statement to the facts showing that the only electrical service being received by the Lehigh was 25-cycle service at an old plant, and modern 60-cycle central station service at another building on the same plot of ground, and that the facility to be served was a totally new plant not yet being served by any electrical supplier.

For many years, Lehigh had operated a clay tile and pipe kiln in the vicinity of the town of Lehigh. Electrical service was from the Fort Dodge, Des Moines & Southern Railway Co., at 25 cycles.

The Fort Dodge, Des Moines & Southern Railway Co. operated an electric interurban train between Des Moines and Fort Dodge for many years. For the purposes of operating this electric interurban it owned and maintained an electric generating plant producing electricity at 25 cycles. As a byproduct of this operation, it sold 25-cycle electricity to consumers along its railroad lines. Lehigh was one of such users, being located along the right-of-way of the interurban railroad.

In an improvement program, the railroad converted its motivation power to diesel, and while it converted most of its electric service to 60 cycle, the generating plant and service to the old Lehigh plant continued at 25 cycle.

It should be emphasized that the service available other than from the Greene County Cooperative was the Fort Dodge, Des Moines & Southern Railway, and not Iowa-Illinois at the time the contract with Greene was negotiated. Any supplier would have had to have a contract to make the investment required before it could undertake the construction. Since Iowa-Illinois did not acquire the Fort Dodge, Des Moines & Southern property until March 15, 1956, Iowa-Illinois at no time offered service to Lehigh until after its contract with Greene.

Iowa-Illinois is a poor authority for a contention that Fort Dodge, Des Moines & Southern could furnish reliable electric service to the point that it could be considered central station service. One of the factors taken into consideration by Fort Dodge, Des Moines & Southern in determining to sell its electric properties was the fact that Iowa-Illinois had "acquired" a number of its customers in the Fort Dodge area. It was urged that Fort Dodge, Des Moines & Southern could not furnish a reliable source of electric power as needed for such commercial establishments, because of its antiquated generating plant and inadequate transmission system. Now, after acquiring more than half of the Fort Dodge, Des Moines & Southern electric sales, it contends to the Comptroller that Fort Dodge, Des Moines & Southern was completely "ready, willing and able" to furnish modern, 60-cycle electric service to a new industrial plant.

Further evidence of the inadequacy of the Fraser generating plant of Fort Dodge, Des Moines & Southern is the fact that in purchasing the electric properties of the railway, Iowa-Illinois permitted the Fraser plant to be returned to the railway for junking. Its reliability was so questionable that Iowa-Illinois did not even want to include it in its system.

Furthermore, in May of 1957, Iowa-Illinois served notice of cancellation of contract on Lehigh for even the 25-cycle service, thus terminating all existing electric service to even the old plant.

In the Iowa district court case, Iowa-Illinois stipulated that if the secretary of the Iowa State Commerce Commission were called as a witness, he would testify that he had examined the files of the Iowa State Commerce Commission, and that neither Iowa-Illinois nor Fort Dodge, Des Moines & Southern held any legal franchises for the operation of any electric transmission lines in the vicinity of the town of Lehigh. Therefore, even the 25-cycle service being made available to the Lehigh plant was without legal authority.

At this same time, the Greene County Rural Electric Cooperative was and had been for some 3 years, serving the residence of the foreman of the tile kiln, under a service contract with the Lehigh Sewer Pipe & Tile Co., on the same tract as was located the old plant, and was later constructed the new plant. The only supplier of 60-cycle service in the area other than Greene was the town of Lehigh, which stated in writing that it could not supply the requirements of Lehigh, and releasing any rights it might have to Greene.

It is therefore obvious that the only central station service being received by Lehigh was from the Greene County Rural Electric Cooperative.

We believe the 1950 official census should be adequate to establish the population of the town of Lehigh as 881, and thus clearly within the definition of "Rural area" as contained in the Rural Electrification Act. Although the plant area is located within the town of Lehigh, it is at the immediate edge, and is reached by the lines of the Greene County Rural Electric Cooperative without crossing any streets or alleys and, therefore, no franchise from the town is necessary.

If it is to be contended that the word "person" is not sufficiently broad to include any user of electricity, the whole purpose of the Rural Electrification Act fails, because area coverage is one of the primary requirements of the Administrator. The availability of electricity to everyone in the service area is so clearly essential, that no further discussion would seem necessary.

Was the new plant of Lehigh Sewer Pipe & Tile Co. a separate installation such as to constitute a "person not receiving central station service"?

It is contended that the new plant constructed by Lehigh Sewer Pipe & Tile Co. was merely an extension or addition to the old plant, and that, therefore, it was receiving central station service from Fort Dodge, Des Moines & Southern, even though only at 25-cycle.

Such an argument is obviously incorrect. The affidavit of Mr. Bryant, the vice president and general manager of Lehigh, states that the company considered several other sites for the establishment of the proposed new plant. The old plant was appraised at \$259,790 more than 30 years ago; the investment in the new plant was \$1,379,819. Mr. Bryant states that there was no interchange of work or product between the two plants, even though only about 60 feet apart.

Had Lehigh been required to depend upon Fort Dodge, Des Moines & Southern for electric service, it would not have located its new plant at Lehigh. The abandonment of the Fraser plant by Iowa-Illinois in its purchase of the electric facilities of Fort Dodge, Des Moines & Southern supports this conclusion by Lehigh. The acquiring of other industrial customers of Fort Dodge, Des Moines & Southern by Iowa-Illinois, in part on a consideration that the electric service by Fort Dodge, Des Moines & Southern was too unreliable for commercial operation, further supports this conclusion by Lehigh. The fact that neither Iowa-Illinois nor Fort Dodge, Des Moines & Southern had any legal authority to supply electricity in the area further negatives the existence of central station service.

In considering the construction of the new plant, Lehigh considered the availability of clay, labor force, transportation, and electric supply. Had Lehigh been required to rely upon Fort Dodge, Des Moines & Southern for an electric supply, it would not have built its plant at Lehigh.

Being a completely new plant, without any reference to the old plant except that it was another installation of the company, it was not being served by Fort Dodge, Des Moines & Southern at any time. The management offices of Lehigh are in Fort Dodge, and this new plant was as much a completely new installation so far as Lehigh was concerned as though it were constructed in Texas. Mere service to one establishment of the same "person" does not constitute service to that "person" at another establishment. Such an argument would preclude service of railway warning signals by a cooperative under REA financing because the railway had service from a utility at its main station in Chicago. Such a contention would prevent service to a fish hatchery of the State conservation commission because its office in the State capitol is served by utility. Such a position would prevent service to an A.T. & T. television relay station because the home office in New York and television studios are served by a utility. Obviously such a contention is without merit.

The conclusion is manifest that the new plant of the Lehigh Sewer Pipe & Tile Co. was a completely separate and new facility of the company, and a "person not receiving central station service."

After an administrative determination by the Administrator of the Rural Electrification Administration, is the General Accounting Office entitled to effectuate a reversal?

When CIPCO applied to the Administrator of the Rural Electrification Administration for a loan with which to construct certain generation and transmission facilities, including the Lehigh tap, it was necessary to substantiate that loan request with great quantities of data, facts, information, and material. After many months of answering questions, furnishing data and affidavits, facts, and information, the Administrator made an administrative determination that the execution of a loan for such purposes was within the purview of the Rural Electrification Act. The loan was thereupon consummated, the facility constructed, and loan funds advanced.

Your decision would now call upon the successor Administrator of the Rural Electrification Administration to ask the cooperative to return the funds used for the financing of the construction of the Lehigh tap because the General Accounting Office is of a different opinion.

Two very excellent legal staffs have already held that this loan was within the legal authority of the Rural Electrification Act.

Before the loan was made, the General Counsel of the Department of Agriculture advised the Administrator that upon his administrative determination that the new plant was a person not receiving central station service, the loan would meet the legal requirements of the act. The U.S. Department of Justice, in representing the Secretary of Agriculture and the Administrator of the Rural Electrification Administration in the Federal courts in Washington, D.C., in the suit brought by Iowa-Illinois, presented material to those courts to support the legality of the loan.

It seems completely impossible now that the Office of the Comptroller General can contend that the loan is illegal and ask a public official who, relying upon facts and material reviewed by his professional staff, has made an administra-

tive finding that a certain situation meets the legal requirements of a law, should now come to those same applicants and say that such administrative finding was incorrect and that the situation did not meet such legal requirements.

It seems impossible that the Congress, having granted loan authority for some 22 years to the Administrator of the Rural Electrification Administration to make loans upon situations by him administratively determined to meet the requirements of the Rural Electrification Act, should now be reversed by the General Accounting Office, itself a creature of the Congress.

Should the Secretary of Agriculture and Administrator of the Rural Electrification Administration attempt to comply with the demand of your decision, the defense of the cooperative would be based to a very great extent upon the administrative decision already made by the individuals now called upon to comply with the interpretation of the General Accounting Office, which we contend is erroneous both on the interpretation of the law and upon the facts of the case.

CONCLUSION

Based upon an unedited consideration of the debates of Congress, the judicial decisions, the administrative determinations, and the individual facts of the case, we respectfully urge you to carefully reconsider your decision B-134138 dated July 21, 1958, and withdraw same in toto.

Respectfully submitted.

CENTRAL IOWA POWER COOPERATIVE,
504 Dows Building, Cedar Rapids, Iowa.

By WM H. WISDOM, *Its Attorney.*

GREENE COUNTY RURAL ELECTRIC COOPERATIVE,
Jefferson, Iowa.

By L. F. WILCOX, *Its Attorney.*

(The contract between Iowa Public Service Co. and Charles W. Shipton, Allison, Iowa, referred to above is on file with the committee.)

DAVENPORT, IOWA, March 9, 1959.

HON. SPESSARD L. HOLLAND,
Senate Office Building, Washington, D.C.

DEAR SENATOR HOLLAND: I am writing you as chairman of the subcommittee of the Committee on Agriculture and Forestry which scheduled hearings on March 5 and 6 regarding Senate Resolution 21. I greatly appreciate the opportunity of presenting the position of my company, Iowa-Illinois Gas & Electric Co., before your subcommittee and Senators Aiken and Ellender.

It was reported to me that during the testimony of Mr. Keller, General Counsel for the General Accounting Office, the question arose of the comparative rates charged by the Fort Dodge, Des Moines & Southern Railway, Iowa-Illinois Gas & Electric Co., and Greene County REA for the service to the Lehigh Sewer & Tile Co. plant. The two letters of the railway to Lehigh Title included in schedule D attached to my statement were detailed rate proposals by the railway. Subsequently, on September 28, 1956, we furnished by letter to Mr. Bryant of Lehigh Tile a detailed comparison of railway's rate, Iowa-Illinois Gas & Electric Co.'s rate, and the rate we believe to be contained in the contract with Greene County Cooperative. This information we feel may assist your committee in a determination of the extent by which the rates of one supplier exceed those of another. It may also be of assistance to refer you to the letter of Wilmer & Broun dated March 26, 1958, appearing as exhibit D attached to my statement in which a calculation is made of the application of the two Railway rates described in attached letters, in comparison with the Greene County rate.

In the transcript of the hearing, volume 2, page 132, you invite the submission of any other relevant documents which may assist the committee in weighing the effect of proposed Senate Resolution 21. We believe that the letter of April 25, 1956, addressed to Mr. Ancher Nelsen, Administrator, by the general counsel of Iowa-Illinois Gas & Electric Co. should be added to the record. This letter describes the purchase of the Railway properties and the objections of Iowa-Illinois Gas & Electric Co. to the approval of that part of the Central Iowa Power Cooperative loan providing for the erection of a transmission line to serve Lehigh Tile. It also notified the Administrator that

because Railway had promised 60-cycle service and Iowa-Illinois renewed such promise of 60-cycle service, there appeared to be no justification for assuming a refusal to Lehigh Tile of that form of electric service. Since this letter antedates the ultimate approval of the loan by the RE Administrator we think it necessary for a full understanding of the background. Attached are 50 copies of the letter of April 25, 1956, to Mr. Ancher Nelsen and the Railway letter of September 28, 1956, to Lehigh Tile.

If there be any question regarding the calculation of these rates or their application to the tile company's requirements we would be pleased to attend and make such explanation as may be required.

Yours very truly,

/s/ CHARLES H. WHITMORE,
President, Iowa-Illinois Gas & Electric Co.

SEPTEMBER 28, 1956.

Mr. JOE A. BRYANT,
*General Manager, Lehigh Sewer Pipe & Tile Co.,
Fort Dodge, Iowa.*

DEAR MR. BRYANT: Since April 1956, we have, on numerous occasions, discussed with you the matter of our serving your electric load, including that presently being served at 25 cycles and that of your new plant facilities.

Your present contract for 25-cycle service continues until June 1957. Realizing that considerable time will be involved in converting your equipment from 25 cycles to 60 cycles, we submitted to you a contract for 60-cycle electric service on June 12, 1956.

We are enclosing a tabulation showing the consumption and billing monthly for the period July 1955, to June 1956, inclusive, on the Fort Dodge, Des Moines & Southern rate. We have also shown a comparison with our rate No. 533, and our rate No. 541, at demands of 300 kilowatts and 350 kilowatts.

On the basis of these indicated demands and consumptions, the contract offered on June 12 contained our rate No. 533, as this appeared to be the most favorable for you. It also included a provision for 9.2 percent reduction in the rate (exclusive of fuel cost adjustment) as a contribution toward the cost of your changeover.

During this summer you have started expansion of your facilities. You have estimated your maximum kilowatt demand will be increased by 1,100 kilowatts and your annual use by 2,500,000-kilowatt hours.

We have prepared another tabulation on which we show the consumption of the plant with both the old and new facilities being combined. In this tabulation we have estimated a combined demand of 1,400 kilowatts and spread the additional 2,500,000-kilowatt hours uniformly through the year. We show the monthly billing on the Fort Dodge, Des Moines & Southern rate, on rate Nos. 533 and 541 of Iowa-Illinois Gas & Electric Co., and the REA rate, so far as we are familiar with it.

As previously explained, when the new load is added, rate No. 541 would be the most favorable, and a new contract providing for service under that rate would be offered. Of course, provision would be made in the new contract for accomplishing our contribution toward the cost of the changeover of the portion of the load now served at 25 cycles.

We are ready, and would be able to give you service for your new facilities 45 days after the necessary franchise is obtained, should you have need of 60-cycle service within that period.

We would also like to emphasize the fact that our transmission line to serve your plants is comparatively short and is backed up with interconnections on the 161 kilovolt line to Des Moines on the south, to Waterloo, and Mason City on the east, and to Sioux City on the west.

If you have any questions on rate or service, we shall be happy to discuss them with you.

Very truly yours,

R. L. KAUFMAN,
District Manager, Fort Dodge District.

LEHIGH SEWER PIPE & TILE CO.

Expanded plant (combined use—old and new facilities)

Month	1955-56 kw.-hr. sales	Additional new sales kw.-hr.	Total sales kw.-hr.	Fort Dodge, Des Moines & Southern rate	Rate No. 533	Rate No. 541 (1,400 kw. demand)	REA rate (1,400 kw. demand)
July.....	42,320	208,333	250,653	\$5,038.06	\$5,731.44	\$4,890.55	\$4,974.57
August.....	47,400	208,333	255,733	5,139.66	5,845.74	4,933.73	5,010.13
September.....	44,840	208,333	253,173	5,088.46	5,788.14	4,911.97	4,992.21
October.....	44,920	208,333	253,253	5,090.06	5,789.94	4,912.65	4,992.77
November.....	48,560	208,333	256,893	5,162.86	5,871.84	4,943.59	5,018.25
December.....	56,400	208,333	264,733	5,319.66	6,048.24	5,010.23	5,073.13
January.....	69,720	208,333	278,053	5,586.06	6,347.94	5,123.45	5,166.37
February.....	50,040	208,333	258,373	5,192.46	5,905.14	4,956.17	5,028.61
March.....	47,160	208,334	255,494	5,134.88	5,840.37	4,931.70	5,008.46
April.....	46,840	208,334	255,174	5,128.48	5,833.17	4,934.93	5,006.22
May.....	44,200	208,334	252,534	5,075.68	5,773.77	4,906.54	4,987.74
June.....	45,520	208,334	253,854	5,102.08	5,803.47	4,917.76	4,996.98
Total.....	587,920	2,500,000	3,087,920	62,058.40	70,579.20	59,373.27	60,255.44

Present plant

Month	1955-56 kw.-hr. sales	Billed on Fort Dodge, Des Moines & South- ern rate	Rate No. 533	Rate No. 541, 300 kw. demand	Rate No. 541, 350 kw. demand
July.....	42,320	\$871.40	\$1,043.95	\$1,108.20	\$1,195.70
August.....	47,400	973.00	1,158.25	1,132.00	1,219.50
September.....	44,840	921.80	1,100.65	1,133.40	1,220.90
October.....	44,920	923.40	1,102.45	1,134.20	1,221.70
November.....	48,560	996.20	1,184.35	1,170.60	1,258.10
December.....	56,400	1,153.00	1,360.75	1,249.00	1,336.50
January.....	69,720	1,419.40	1,660.45	1,382.20	1,469.70
February.....	50,040	1,025.80	1,217.65	1,185.40	1,272.90
March.....	47,160	968.20	1,152.85	1,156.60	1,244.10
April.....	46,840	961.80	1,145.65	1,153.40	1,240.90
May.....	44,200	909.00	1,086.25	1,127.00	1,214.50
June.....	45,520	935.40	1,115.95	1,140.20	1,227.70
Total.....	587,920	12,058.40	14,329.20	14,072.20	15,122.00

DAVENPORT, IOWA, April 25, 1956.

Mr. ANCHER NELSEN,
*Administrator, Rural Electrification Administration,
 U.S. Department of Agriculture, Washington, D.C.*

DEAR MR. NELSEN: At the conclusion of our conference yesterday, it appeared advisable to send you a written review of our investigation of the situation at Lehigh and to express formally our objection to the construction of an electric transmission line from a point near Boone northward some 22 miles to serve the town of Lehigh and Lehigh Brick & Tile Co.

We have purchased the electric transmission and distribution facilities of Fort Dodge, Des Moines & Southern Railway Co. under an agreement dated March 15, 1956, the terms of which provide for the formal transfer of the property and rights of the railway on June 1. On April 11 we received a letter dated April 2 by Mr. Arthur H. Johnson, attorney at Fort Dodge, which purported to attach a notice of termination of our contract with the town of Lehigh signed by the mayor and dated April 2, 1956, which notice indicated it to become effective on May 1, 1957. Our investigation leads us to the conclusion that the Greene County co-op has entered into a contract to serve the town of Lehigh for 5 years and it is pursuant to such contract that our notice of termination was received.

We are further informed that in the fall of 1955 the Greene County co-op entered into a contract for a 20-year period with Lehigh Brick & Tile Co., presently being served by us. Our investigation indicates that last fall this tile company was negotiating with the railway for additional service for a new plant addition it proposes to construct for which it desires 60-cycle service; that

the railway agreed to furnish such service at 60 cycles if the tile company would pay a rental for the substation required and an amount to amortize the cost of extending its 60-cycle transmission line to Lehigh. Greene County, in its contract, provided for a minimum monthly payment intended to meet the service charges on its loan to be obtained from you, and after this negotiation the contract between Greene County and Lehigh Brick & Tile was concluded. There appears to be no basis for the assumption that the railway refused 60-cycle service to the tile company, the negotiations indicating only that Greene County was able to make an offer at a lower rate for service than the railway. We stand ready to furnish customers formerly served by the railway their additional requirements at 60 cycles under our rules and regulations fixing the conditions for the extension of such service.

The action of Greene County appears to damage us substantially by invading the service area at Lehigh and taking by direct negotiated contract the two substantial customers from this location. The loan by the Rural Electrification Administration to Central Iowa Power Cooperative (CIPCO) is an essential condition to the furnishing of such service and the taking of these two customers from us. As we understand the Rural Electrification Act and the interpretation by your administration of it, loans will not be made to effect extensions of electric transmission or distribution lines to serve customers already receiving central station service. We wish to point out that but for these two customers there would be no justification for a new transmission line costing some \$120,000. We believe this is exemplified by the fact that the service charge on such loan is incorporated in payments required under the contract with Lehigh Brick & Tile Co.

From the above, we submit that we will suffer direct and substantial injury if these contracts are effectuated; that a loan to CIPCO for the principal purpose of effectuating either of these contracts is in violation of the Rural Electrification Act and of your regulations thereunder.

We therefore respectfully request that you promptly notify CIPCO and Greene County of your refusal to approve the specifications and the contract for the construction of this transmission line and withdrawal of your authorization of a loan for such purpose.

Yours very truly,

W. B. WATERMAN,
General Counsel, Iowa-Illinois Gas & Electric Co.

INDIANAPOLIS, IND.

HON. R. VANCE HARTKE,
U.S. Senate, Washington, D.C.:

Please use your influence to support in every way possible Senate Resolution 21 which Senator Aiken has offered to nullify the serious threats posed by the Comptroller General's ruling on REA loans. Any information you can put in the hands of the chairman of the Senate Agricultural Subcommittee telling of our interest when hearings are opened March 5 will be appreciated. Also please convey appreciation of Indiana's REMCE's to Senator Aiken for his efforts in our behalf.

A. D. MUELLER, *General Manager.*

STATEMENT FILED BY HONORABLE JOHN SHERMAN COOPER, A UNITED STATES
SENATOR FROM THE STATE OF KENTUCKY

I was glad to join with Senators Young, Kuchel, Langer, Curtis, Humphrey, Kennedy, Mansfield, Sparkman, Hill, Heunings, Murray, and Clark as a co-sponsor of the Senate resolution 21, introduced by Senator Aiken.

I understand this resolution has the full support of the National Electric Cooperative Association, and that the Rural Electrification Administration has testified that it would clarify the question raised by the Comptroller General as to persons and areas which can be served by rural electric cooperatives.

During my service in the Senate I have consistently supported the objectives of the rural electrification program and will continue to do so. I believe the decisions of the Comptroller General of the United States, dated July 21, 1958 and October 15, 1958, are clearly contrary to the intent of Congress as expressed during enactment of the Rural Electrification Act, and as reaffirmed by its

approval of the administration of that act in annual congressional reviews of appropriations for the rural electric program.

While I do not believe this resolution should be necessary—because the legislative history, congressional intent, administrative practices, and legal interpretations have been clear—I hope the resolution will put to rest needless controversy raised by the unclear and inconsistent decision of the Comptroller General.

I urge the committee to promptly approve the resolution, and to report it favorably to the Senate, so that its enactment will remove any question as to continuation of the long established authority of the Rural Electrification Administration to make loans for the construction of facilities to bring electric service to persons who are in fact not receiving central-station service, and to continue to serve those who are presently being served, in accordance with the Acting Secretary of Agriculture's letters of August 7 and October 29, 1958.

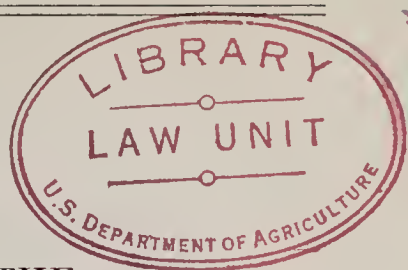
It seems to me baseless to contend that a person not receiving service is in fact doing so, if he is in an area served by another power supplier. The Act itself refers to "persons," and the area concept cannot be supported by the language of the act. I consider the Comptroller's contention wholly fallacious, contrary to the expressed will of Congress, and an arbitrary and capricious threat to continuation of the rural electrification program under the same policies which have served so well to bring the benefits of electricity to millions of rural families.

I wish to associate myself with the statement before this committee of my friend, Senator George D. Aiken, of Vermont, who has been a great champion of rural electrification. I believe his resolution will effectively remove doubts concerning congressional intent, which have never in fact existed in the Congress itself.

Prompt adoption of the resolution should make absolutely clear the fact that persons in rural areas actually without central-station electric service are fully entitled to enjoy the benefits of the REA program.

×

RURAL ELECTRIFICATION ADMINISTRATION



HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

EIGHTY-SIXTH CONGRESS

FIRST SESSION

ON

S. 75

A BILL TO ESTABLISH THE RURAL ELECTRIFICATION
ADMINISTRATION AS AN INDEPENDENT AGENCY, AND
FOR OTHER PURPOSES

MARCH 5 AND 6, 1959

Printed for the use of the Committee on Agriculture and Forestry



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1959

COMMITTEE ON AGRICULTURE AND FORESTRY

ALLEN J. ELLENDER, Louisiana, *Chairman*

OLIN D. JOHNSTON, South Carolina

SPESSARD L. HOLLAND, Florida

JAMES O. EASTLAND, Mississippi

HUBERT H. HUMPHREY, Minnesota

STUART SYMINGTON, Missouri

HERMAN E. TALMADGE, Georgia

WILLIAM PROXMIRE, Wisconsin

B. EVERETT JORDAN, North Carolina

STEPHEN M. YOUNG, Ohio

PHILIP A. HART, Michigan

GEORGE D. AIKEN, Vermont

MILTON R. YOUNG, North Dakota

BOURKE B. HICKENLOOPER, Iowa

KARL E. MUNDT, South Dakota

JOHN J. WILLIAMS, Delaware

ANDREW F. SCHOEPPPEL, Kansas

COTYS M. MOUSER, *Chief Clerk*

SUBCOMMITTEE ON AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION

SPESSARD L. HOLLAND, Florida, *Chairman*

HERMAN E. TALMADGE, Georgia

STUART SYMINGTON, Missouri

STEPHEN M. YOUNG, Ohio

KARL E. MUNDT, South Dakota

ANDREW F. SCHOEPPPEL, Kansas

JOHN J. WILLIAMS, Delaware

CONTENTS

Statement of—	Page
Curtis, Hon. Carl T., a U.S. Senator from the State of Nebraska.....	3
Dell, Richard A., director, legislation and research department, National Rural Electric Cooperative Association.....	33
Ellis, Clyde T., general manager, National Rural Electric Cooperative Association.....	33
Hamil, David A., Administrator, Rural Electrification Administration, U.S. Department of Agriculture.....	24
Humphrey, Hon. Hubert H., a U.S. Senator from the State of Minne- sota.....	11
McDonald, Angus, coordinator, division of legislative services, National Farmers Union.....	32
Scott, Kenneth L., Director of Agricultural Credit Services, U.S. De- partment of Agriculture.....	20
Miscellaneous documents:	
S. 75, 86th Congress.....	1
Report from the Department of Agriculture on S. 75.....	2
S. 144, 86th Congress.....	16
Explanation of S. 144.....	16
Tables submitted by the Rural Electrification Administration:	
Purpose of electric loans.....	25
Loans for generation and transmission.....	26
Funds advanced to electric borrowers.....	26
Financial condition of electric borrowers improves.....	26
Payments by electric borrowers to Government increase.....	26
Number of electric consumers and miles of line continue to grow..	27
Average consumption of power per consumer climbs.....	27
Sales of power by borrowers climb.....	27
Retail price of power down.....	27
Wholesale cost of power down.....	27
Telephone loans made.....	28
Funds advanced to telephone borrowers increase.....	28
Payments by telephone borrowers to Government increase.....	28
More rural people getting better telephone service each year....	28
Telephone construction, by years.....	29
Supplemental statement filed by Senator Curtis.....	31
Letter from John C. Lynn, legislative director, American Farm Bureau Federation.....	32
Resolutions adopted by the rural electric systems.....	34
Resolution adopted at the 17th annual meeting of the National Rural Electric Cooperative Association.....	38

RURAL ELECTRIFICATION ADMINISTRATION

THURSDAY, MARCH 5, 1959

U.S. SENATE, SUBCOMMITTEE
ON AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION
OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 11:30 a.m., room 324, Senate Office Building, Senator Spessard L. Holland (chairman) presiding.

Present: Senators Holland, Ellender (chairman of the full committee), Talmadge, Young (Ohio), Mundt, Williams, and Schoeppel.
Also present: Senator Aiken.

Senator HOLLAND. We will proceed to the hearing of S. 75. I will ask that the proposed measure, as offered by the Senator from Nebraska, Mr. Curtis, for himself and the Senator from Georgia, Mr. Russell, be incorporated in the record.

We have a letter addressed to the chairman of the full committee, Senator Ellender, dated March 4, signed by E. T. Benson, Secretary of Agriculture, containing the recommendations of the Department on this particular measure, and I ask that that be included in the record at this time.

(S. 75 and the letter from Secretary Benson, dated March 4, 1959, follow:)

[S. 75, 86th Cong., 1st sess.]

A BILL To establish the Rural Electrification Administration as an independent agency, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby created and established in the executive branch of the Government an independent agency to be known as the "Rural Electrification Administration" all of the powers of which shall be exercised by an Administrator who shall be appointed by the President by and with the advice and consent of the Senate for a term of ten years and who shall receive a salary of \$20,000 per annum. The Administrator shall have direction, supervision and control of the Rural Electrification Administration and all of its operations and functions as authorized in the Rural Electrification Act of 1936, as amended.

SEC. 2. The term of office of the incumbent of the Office of Administrator of the Rural Electrification Administration appointed before the effective date of this Act shall terminate on the effective date and said office shall thereby become vacant. The President shall designate an Acting Administrator to exercise and perform all functions, powers and duties vested in the Rural Electrification Administration until the appointment and qualifications of an Administrator, as provided in section 1 of this Act.

SEC. 3. (a) Employees in the Department of Agriculture who are being utilized on the effective date of this Act primarily for the performance of functions, powers and duties provided for in the Rural Electrification Act of 1936, as amended, shall be transferred to the jurisdiction and control of the Rural Electrification Administration in those instances in which the Administrator determines that they are qualified and necessary to carry out the functions, powers, and duties of the Rural Electrification Administration.

(b) All assets, funds, contracts, property and records used and employed in the execution of the functions, powers, and duties authorized by the Rural Electrification Act of 1936, as amended, are hereby transferred to the jurisdiction and control of the Rural Electrification Administration.

(c) All unexpended balances of appropriations, allocations, or other funds available (including those available for the fiscal year ending June 30, 1959) for the Rural Electrification Administration and for the Secretary of Agriculture on account of the functions and activities of the Rural Electrification Administration shall be transferred to the Rural Electrification Administration and shall remain available for the exercise of the functions and activities of the Rural Electrification Administration.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., March 4, 1959.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate.

DEAR SENATOR ELLENDER: This is in reply to your request of January 15, 1959, for a report on S. 75, a bill "to establish the Rural Electrification Administration as an independent agency, and for other purposes." The effect of the bill, if enacted, would be to make Reorganization Plans No. 2 of 1939 and 1953 inapplicable to the Rural Electrification Administration.

It is our recommendation that the bill not be enacted. Section 5 of Reorganization Plan No. 2 of 1939 transferred REA and its functions and activities from independent status to the Department of Agriculture and provided that they be administered in the Department by the Administrator of the Rural Electrification Administration under the general direction and supervision of the Secretary of Agriculture. The basic reason for the adoption of Reorganization Plan No. 2 of 1939 was to improve the administrative management of the executive branch by a more logical grouping of existing units and functions and by a further reduction in the number of independent agencies. In the message transmitting this plan, the President stated that the work of the Rural Electrification Administration in its educational as well as its lending functions is clearly a part of the rural life activities of the country and should therefore be administered in coordination with the agricultural activities of the Government. The Department is justifiably proud of the record of service and achievement and the outstanding progress which has been made during this period of 20 years of the administration of the REA program within the Department.

We are cognizant and most appreciative of the unanimous support and praise which these programs have received from farmers, farm organizations, and the Congress. Their great contribution to our farmers, and their potential for future contribution, under the existing arrangement, warrant the most careful and earnest consideration of any proposed change in the status, organization, or authority of the Rural Electrification Administration.

The basic reasons for the adoption of Reorganization Plan No. 2 of 1953 were to centralize in the Secretary of Agriculture the responsibility and the authority for effective administration within the Department and to correct the patchwork assignment of statutory functions in the Department. It was determined that in this way departmental operations could be simplified and made more effective and the Secretary be enabled to adjust organization of the Department in order to achieve continuous improvements in operations to meet changing conditions.

The considerations underlying these reorganization plans, insofar as they relate to the Rural Electrification Administration, are applicable today as they were at the times of their adoption. Accordingly, the enactment of this bill, in our opinion, would prejudice and prevent the achievement of the objectives of the plans.

The Bureau of the Budget advises that enactment of this proposed legislation would not be in accord with the program of the President.

Sincerely yours,

E. T. BENSON, *Secretary.*

Senator HOLLAND. Present is one of the authors of this measure, the Senator from Nebraska, Mr. Curtis, and I call him as the first witness.

STATEMENT OF HON. CARL T. CURTIS, A U.S. SENATOR FROM THE STATE OF NEBRASKA

Senator CURTIS. Thank you, Mr. Chairman.

The Senator from Georgia, Mr. Russell, joined in this measure, S. 75. He wishes me to advise the committee that he favors the bill and joins me in urging approval of it. Senator Russell could not be present because he is conducting the hearings on the extension of the Selective Service Act.

I am privileged to come before this committee to testify on behalf of the bill, S. 75, introduced on January 9 by Senator Russell and myself, proposing the reestablishment of the Rural Electrification Administration as an independent agency.

It is an honor to be a cosponsor with Senator Russell, a distinguished friend of Rural Electrification and an expert in Congress on its matters of operation.

One of the most interesting and praiseworthy aspects of our Rural Electrification program through its first 23 years of operation is that it has enjoyed the strong support of Members of Congress from the farming States. When REA was created in 1935 it was set up as a nonpartisan agency dedicated to bringing electricity to our farms. While there have been at different times political charges and countercharges surrounding some REA side issues involving controversial power projects proposed for construction by the Department of the Interior, the program for authorizations and appropriations of REA funds have had the votes of Republicans and Democrats alike, representing the farm States in our Congress.

President Roosevelt created the REA by Executive order in 1935. A year later Congressman Sam Rayburn in the House and Nebraska Senator George W. Norris in the Senate sponsored legislation to set up its governing rules.

There has never been any year in which money for loan authorizations was insufficient.

In 1957 fiscal year, a volume of applications exceeded the expected demand for new loans. The Administration hurriedly requested \$200 million for additional loans and the authority to make these loans was speedily approved by Congress.

Since 1952 the backlog of applications made to REA headquarters has been wiped out and loans are being processed faster by Administrator Hammill than ever before in the history of REA.

At this point let me relate that David Hammill, our REA Administrator, is doing the best job ever performed by any REA chief, in my opinion. He is a farmer who has worked with REA problems as a consumer and as an official of his co-op. In the legislature of his native State he labored effectively on legislation to promote REA. He is a diligent man, doing an excellent public service.

Because of the criticism of this Administration's handling of the REA program I have spent a lot of time studying REA matters.

About 2 years ago the Secretary of Agriculture asked Administrator Hammill to submit for review by him all loan applications in excess of \$500,000. That has resulted in a lot of strife, noise, and name calling. The Secretary's request was based on the two reorganization plans, one in 1939 and another in 1953.

The earlier plan offered by President Roosevelt removed REA from its independent status and placed it within the Department of Agriculture, under the general direction and supervision of the Secretary of Agriculture.

The Reorganization Plan of 1953 further implemented the 1939 act and gave to the Secretary of Agriculture all functions of other departmental employees not now vested in him.

When the Secretary asked for review of all REA loans over \$500,000, the concern in some places caused our colleague, Senator Hubert Humphrey, to introduce a Senate bill, and Congressman Melvin Price to introduce a House bill nullifying the 1953 Reorganization Plan. I am a member of the committee, along with Senator Humphrey, which studied the bill, and sat in the hearings on it. The interesting feature of the hearings was not the heated politics but the fact that officials of local REA's who came before the committee to support the Humphrey bill all stated, to a man, that review of loans had not slowed down at any time the making of loans. David Hammill testified that every loan approved by him has been made, and that the review of the loans over \$500,000 has not in a single instance reversed any loan he has approved.

During this last fall I gave a lot of thought to REA matters. I discussed it with many Nebraskans who are interested in REA. I reread hearings and debates on REA legislation.

It occurred to me that the benefits of our fine, progressive electric program will be served by reestablishing its independent status. I discussed my plans with Senator Russell of Georgia. He agreed with me. On January 9, 1959, we introduced a bill to reestablish the Rural Electrification Administration as an independent agency of the Federal Government.

Our bill, if enacted, will permit REA to operate as originally conceived in 1935 and as authorized in the Norris-Rayburn Act of 1936.

There is a logical background for this legislation. In 1944 Senator E. D. Smith, as chairman of the distinguished committee, introduced a bill, S. 2034, to return REA to its independent status. This followed 5 months of hearings on REA problems and the issuance of a subcommittee report recommending legislation which was sustained by two Democrats and two Republicans. Senator Lucas on January 6, 1945, introduced a so-called postwar planning bill for REA, S. 89, which contained, among other provisions, the reestablishment of REA as an independent agency. It passed the Senate on May 14, 1945, without a record vote.

During hearings on Reorganization Plan No. 2 of 1953 Mr. Clyde Ellis stated in behalf of the National Rural Electric Cooperative Association:

Rural electric leaders have never become reconciled to the placing of REA in the Department of Agriculture and have continued to feel that the program would be better served by a completely independent agency.

Some fears have been expressed, and I believe with absolute sincerity, that disadvantages might accrue to the Rural Electrification

Administration should it become an independent agency. These can be allayed by taking notice of REA's stature with Members of Congress of both parties. It was freely expressed here this morning. The widespread support for REA and its progress should certainly assure the wholesome continuation of its objectives.

All Members of Congress, knowledgeable of the benefits of central station electric service to rural America, will accord REA the support it deserves and merits. Those Members that comprise a substantial majority in both Houses of Congress.

In the same light, there is no reason whereby the rules of both Houses cannot permit REA appropriations to be administered by the House and Senate Subcommittees on Agricultural Appropriations.

I have received many letters and resolutions from officials of REA districts supporting S. 75. In addition, I am proud that the Nebraska Rural Electric Association in a State convention on February 2, 1959, adopted a resolution supporting the bill.

There were many arguments, both pro and con, made at the time the REA was transferred to the Department of Agriculture in 1939. Regardless of the merits of these arguments, the great changes which have occurred in the electric industry since 1939 require a reappraisal of the justification for moving REA into Agriculture.

Probably no industry in the country has gone through greater changes than the generation, transmission, and distribution of electric energy. The borrowers from REA played an important part in this work. The rapid growth, the peculiar problems of supplying electricity to people in the rural areas require that REA be subject to the Congress as an independent agency.

While the supply of electric energy to persons in rural areas, as some factors common with other activities of the Department of Agriculture, it is increasingly clear that the problems of the future with respect to REA work will not be of the type of agricultural problems with which the Department is concerned.

It is my belief that the creation of REA as an independent agency will not violate the principles of the Hoover Commission report.

Having determined that the agency should be independent, it is necessary to assure that it be completely free. Any attempt to give the Administrator partial control, at the same time retaining some control in the Department of Agriculture, could only lead to utter confusion and the disadvantage of the program.

Overlapping areas of jurisdiction and control are the fertile fields of confusion and delay which lead to a breakdown of the service being rendered to the farmers by the REA program.

I favor the enactment of S. 75, and I thank the chairman and his distinguished committee for allowing me to appear here.

Senator HOLLAND. Briefly, your program differs from that which has been heard in the Government Operations Committee, of which you are also a member, in that under your program the REA would become completely independent of the Department of Agriculture. Its employees would be separated. The funds would be separate. The existing funds unspent would be divided and made separate. There would be a complete severance between USDA and REA under your program. Whereas, under the other bill which, for purposes of simplicity and brevity, I will refer to as the Humphrey bill,

would place REA back in the status that it was after it had been transferred to the Department of Agriculture, as an independent agency attached thereto, but before the operation of the 1953 reorganization measure. Is that correct?

Senator CURTIS. I think the chairman has stated it well.

Senator HOLLAND. In other words, you prefer, and your program is, to make it completely independent from the Agriculture Department?

Senator CURTIS. That is correct.

Senator HOLLAND. Whereas the other program is to make it an independent agency in the Department of Agriculture.

Senator CURTIS. That is correct, Mr. Chairman.

Any member of the Cabinet is a part of the administration. His job is political. We cannot improve the REA service by getting it involved in whatever controversy or politics might arise as to what is a good wheat program or a good cotton program or a good tobacco program, or these other matters that must have Department of Agriculture attention. It is a lending program. It has some characteristics similar to the Farm Credit Administration. I believe it has such high standards that it will add to its respect and support from the Congress as an independent agency.

Senator HOLLAND. I was interested in your comment to the effect that you thought that appropriations for the REA under your program could still be handled by the subcommittee of the Appropriations Committee which handles agricultural appropriations.

Just how do you propose that to be accomplished?

Senator CURTIS. It should be handled by statute. I believe it could be done by mere reference by the chairman of the Agriculture Committee, but I may be wrong about that. I pointed out that my distinguished cosponsor is chairman of the committee that has always handled those appropriations.

Senator HOLLAND. I have had this recent experience, which I would like you to comment on: The subcommittee of which I am chairman, the Subcommittee on Commerce and Related Agencies, has always handled, since the passage of the Monroney-La Follette Act, appropriations for both the CAA and the CAB. The Congress at its last session passed, as you know, the measure setting up an independent agency, the Federal Aviation Administration, and the appropriations for all the civilian aviation agencies now center in that.

Immediately the other body in organizing its work transferred the appropriations in those fields from the subcommittee which I have mentioned, of which I am the chairman in the Senate, to the subcommittee that handles independent agency appropriations.

The chairman of the Senate Committee on Appropriations has ruled that since the measure will reach the Senate after consideration by the House in a bill, a House bill prepared and brought out of the House committee handling independent agencies, that we have no choice other than to put it over in that committee.

It makes no difference whatever to me, because I happen to be a member of both subcommittees, but I call attention to that as illustrative of what may happen.

I ask for the comment of the distinguished Senator from Nebraska as to how he would expect to avert similar handling of the REA in the event of the passage of his bill.

Senator CURTIS. My answer is twofold: I believe it could be handled by a rule. If it is the will of the Congress to enact this bill, I assume they could very easily assert their wishes on this. I can detect no opposition.

The controversy has been on the side issues, the power projects that come from a different Department and are not under REA.

Senator HOLLAND. The point I make, though, is this: that under the committees handling the independent agency appropriations, and there are able committees on both sides, you will find men who have specialized in such matters, let us say, as the Veterans' Administration, and any of the other many independent agencies that comprise the total group; whereas, in the Agriculture Appropriations Subcommittee you will find men who, over a period of years, have specialized in the field of agriculture appropriations, including the REA.

I know that this matter, which I bring into the record, does give concern to some of the members of this committee. It is for that reason that I am inviting the distinguished Senator to give his full expression upon that matter.

Is it his view now that his bill should include a provision specifically finding that the REA, though an independent agency, should have its appropriations handled through the Appropriations Subcommittees of both Houses that handle agricultural appropriations?

Senator CURTIS. That would certainly meet with my approval.

Senator HOLLAND. Is that, in your judgment, the best way to meet this point?

Senator CURTIS. I think that would be the most certain way.

Senator HOLLAND. Senator Talmadge?

Senator TALMADGE. No questions.

Senator HOLLAND. Senator Mundt?

Senator MUNDT. I will say to Senator Curtis that I favor passage of S. 75, or the bill which Senator Humphrey has introduced which is before another committee of which I am also a member.

I am a little bit persuaded in favor of an independent status of REA if we do not lose anything by making such a switch, because it has been my observation that Secretaries of Agriculture vary from the standpoint of the degree to which they wish to exercise the authority for which they are responsible.

I can envision at any time a Secretary of Agriculture who is very diligent and very prudent and very proper in trying to be sure that everything under his jurisdiction is handled correctly, and according to his likes and views, injecting himself into an REA matter so long as it is left in his Department and he is held responsible for it.

Some Secretaries of Agriculture might be unwilling just to sit by and have an adjunct of the Department functioning in the manner in which he did not consider proper, if it were left in his Department.

So if it could be made a completely independent organization and agency, as you say, which was recommended by Clyde Ellis in 1945 and suggested by Senator Lucas' bill and others, if we could do that without losing anything of the value to REA, I think I would favor the S. 75 approach to the other approach.

However, I am concerned about the matter that the chairman of the committee has brought up, because I serve on a Senate subcommittee of appropriations dealing with agriculture, and have served on the Independent Offices Committee.

What Senator Holland says is correct, in the main. The Senators of the Agriculture Subcommittee are recruited from the farming areas of people who deal with agricultural problems. In the main, most of the independent agencies members tend to deal with things in urban communities, and things related to the business world, as against the farming world.

So I would suggest to the sponsor of this bill, Senator Curtis, that he confer with his distinguished coauthor, Senator Russell, who is chairman of the Senate Agricultural Subcommittee, who has had an abundance of experience in that position, who certainly is intimately aware of the problems discussed by Senator Holland and by me, and that you confer with Senator Russell about procedures which would protect the appropriations of REA, if S. 75 became a law, so that they can continue to be handled by the subcommittee which has been handling them, which is familiar with the problems, which is sympathetic to REA and which understand rural problems.

As Senator Holland has suggested, it would occur to me that by a very minor amendment added to S. 75 on section 3, this can be made certain and positive. I think it should not be left to the rules of the House for this additional reason, Mr. Chairman:

I think it is highly important that whichever committee handles it in the House handles it in the Senate because these things all go to conference. The conferees on agricultural matters know each other and understand each other's mannerisms and peculiarities and points of view, because we wrestled out there on the canvas every year.

I think that it is good that you have the subcommittees who have worked together in the two Houses to continue to work together on REA problems. I think it would be highly unfortunate if the Senate, as we might well decide—if S. 75 becomes law—continued to handle it by the Agricultural Subcommittee and the House picks the independent officers.

So I think that whatever decision is made should be made by statute, should be made clear, should be applicable to both Houses of Congress.

So I just renew my suggestion that you report back to the chairman of our committee in writing after conference with Senator Russell as to what you think we should do.

Senator HOLLAND. Senator Young?

Senator YOUNG. No questions.

Senator HOLLAND. Senator Schoeppel?

Senator SCHOEPEL. I have no questions.

Senator HOLLAND. Senator Ellender?

Senator ELLENDER. The only thing I would like to find out from my friend from Nebraska is this:

If we return the agency to where this committee authorized it to be put in 1939, which was more or less as an independent agency, what difference would there be in placing it entirely by itself and not under Agriculture? What advantage would there be? We want to better it, of course, as you know. As far as I am concerned, I don't recall having heard very much criticism of the operations of the REA so long as it was under Agriculture as a more or less independent agency. That is what I believe Senator Humphrey is desirous of doing now.

If we can adopt the so-called Humphrey bill and create REA as an independent agency, but within the Department of Agriculture, I can't

see what advantage there would be in enactment of your bill and then amending it, as Senator Mundt says, to let the appropriations be made under Agriculture. If you do that, your budget may have to be made by Agriculture.

Senator CURTIS. I appreciate the senior Senator's views.

Why put it in the Department of Agriculture unless you expect the Secretary of Agriculture to control it? It is independent—make it independent. Do not leave it in an area of confusion.

I am afraid that agricultural matters in the foreseeable future are going to be controversial matters. I think they will always, to a measure, be partisan matters.

I think here we have a lending agency comparable to the Farm Credit Administration, and by completely freeing it we will establish greater confidence in it and it will serve the rural people of America better.

Senator ELLENDER. As the Senator knows, when the act was originally enacted in 1935 it was created as a separate independent agency, and after study this committee thought it best to put it under Agriculture as a more or less independent agency. That is the way it operated until the Reorganization Act of 1953 which placed it where it is now.

It strikes me that since we have had experience as an independent agency, and the Congress thought after trial of several years that it was best to put it under Agriculture that, to my way of thinking, that is where it belongs, unless some strong reasons can be advanced to make it an independent agency. My fears have been expressed by my friend from South Dakota, and by friend from Florida, that from its inception it was primarily a matter connected with Agriculture. Although it was connected with Agriculture at its inception, Senator Norris and others proceeded to make it an independent agency. Later on this committee found out that it could serve its purpose better if it were placed under Agriculture as an independent agency.

I would like to get some reasons in the record, if you can offer them.

Senator CURTIS. I think I have offered them. For example, I do not think we should put anything in the Department of Commerce that we do not expect the head of the Department of Commerce to control or operate, or in any other department.

I think if we are going to give it an independent status, make it clear-cut, and remove it from the Department, because farm legislation, I believe, is going to be controversial.

Senator ELLENDER. Is there any evidence indicating that so long as the REA was under Agriculture as an independent agency, and until it was changed in 1953, that it wasn't operated as it should have been?

Senator CURTIS. No.

Senator ELLENDER. I do not know of any.

Senator CURTIS. There was none produced since the 1953 act.

Senator ELLENDER. That is right

It made its greatest progress while it was under Agriculture, where it received sympathetic reviews by the Department that was interested in the farmer.

Senator CURTIS. But I sat through those hearings in the Government Operations Committee and I asked, I think, every witness who

appeared when I was there, if they had any difficulty, if their loans had been denied, and they said, no. But notwithstanding that, there appears to be fear and concern and, very frankly, my bill, perhaps, would never have been introduced if the first step had not been made to make partially independent.

It is my feeling that if we do anything, that we should make it completely independent.

Senator ELLENDER. You have answered my other question.

Senator SCHOEPEL. Mr. Chairman, I would like to ask a question.

Senator HOLLAND. Senator Schoepel.

Senator SCHOEPEL. Maybe some of the other members of the committee could enlighten me on this. Assuming that it would be made an independent agency, such as the distinguished Senator from Nebraska has indicated, would that entail a duplication of any staff, or would it require additional staffing that is now utilized in the Agricultural Department? Would it require a different independent status? Would we have additional expenses involved?

Senator CURTIS. I would not think so.

Senator HOLLAND. There are two things. I assume since there has been no mention of the rural telephone, that since it is now being administered by the REA, all the comments made apply equally to the REA program and rural telephone program. Is that correct?

Senator CURTIS. That is correct.

Senator HOLLAND. There is one thought that I would like to inject and then ask the Senator's opinion on it.

I have sat on the Appropriations Committee now for some years and I have noted that public power, with the exception of this agricultural power, which is primarily regarded as agricultural, has always been highly controversial in the committee. I refer to TVA, which is the longest standing other public power agency that I can think of that comes before our committee, and then later the Atomic Energy Commission ventures into the manufacture of public power. They have been fraught with very many material arguments and controversies, both in the full committee and on the floor, as the Senator knows.

It seems to me that there is a value in retaining a setup under which it is made completely clear that the agricultural tie-in with REA is always a dominant factor in connection with it, because there has never been, to my recollection, any material or substantial controversy during my years of membership on the committee that handles REA appropriations, as contrasted with these other public power agencies, also Federal.

Senator CURTIS. That has been my observation, too, Senator.

Senator HOLLAND. I wonder if the Senator has any comment to make upon my apprehension that there might be a lot of that peculiarly appealing status if REA be divorced from its relationship with Agriculture, which I think must always be the dominant field of service of REA.

Senator CURTIS. I think not.

Senator HOLLAND. You think not?

Senator MUNDT. Mr. Chairman?

Senator HOLLAND. Senator Mundt.

Senator MUNDT. I wonder if the chairman didn't, perhaps through inadvertence, leave an implication which he might not have intended, at least which I would not like to consider being valid insofar as the REA is concerned.

He said that by putting REA on the same status as "these other public power bodies." Now, I have always conceived of REA not as a public power body but as a private ownership enterprise, that these farmers who are the patrons and who own REA and operate it through directors and hire their own management are private co-operatives, eventually going to own their own power distribution lines, in some places generating lines, and that it is unfair to label REA as a public power because they get part of their power from public hydroplants and part of their power from private utilities. Some REA's get some of their power from private utilities.

I don't think it is any more correct to say that REA is a public power because part of their electricity comes from a public power installation set up by the Bureau of Reclamation than it would be to say that Northern States Power Co. up in the area represented by Senator Humphrey would be considered a public power body, because it might buy part of its power from the Missouri River Hydroelectric.

I wonder if the Chair doesn't share with me the feeling that there is a great distinction between public power, as it is generally conceived, and REA, which is, after all, financed by private borrowing from the Federal Government, and which gets its power where it can from public sources, where it can do so economically, and from private sources.

Senator HOLLAND. The Chair remembers that all the farm credit agencies function under the Federal Government, and properly so, although they belong, under the present law, to those who operate them.

In my concept, the REA, while it is designed to belong to the individual units which subscribed to it, is financed from public sources, and was created by public law. It does have certain tax exemptions because of its character. It isn't entirely comparable to other private power agencies, of course.

Senator CURTIS. May I be excused, Mr. Chairman. Thank you very much.

Senator HOLLAND. Very happy to have had you.

Senator HOLLAND. The next witness listed is Senator Humphrey.

STATEMENT OF HON. HUBERT H. HUMPHREY, A U.S. SENATOR FROM THE STATE OF MINNESOTA

Senator HUMPHREY. Mr. Chairman, I listened with considerable interest to the presentation on S. 75. My purpose in appearing before the subcommittee, as was indicated during the executive session of the full committee, was merely to bring to the attention of this subcommittee the actions taken in the Senate Committee on Government Operations, and the brief review of the hearings that have been undertaken there relating to the Rural Electrification Administration, particularly the Reorganization Plan No. 2 of 1953, and a bill that had

been introduced last year, S. 2990, which is identical to the bill that has been introduced this year, S. 144.

S. 2990 of 1958 would have stricken out those features of the Reorganization Plan No. 2 which related to the operations of the Rural Electrification Administration.

S. 144, which is currently before the Senate Committee on Government Operations, would do exactly the same thing.

The bill S. 75, to which Senator Curtis has just testified, the so-called Curtis-Russell bill, would take the REA back to the status that it enjoyed in 1935 or 1936. As Senator Ellender has pointed out, they enjoyed that status until 1939. In 1939, through the Reorganization Act passed at that time, the REA was made an independent agency under the general supervision and direction of the Secretary of Agriculture, in the Department of Agriculture.

Now, I have a very brief statement which I think will go directly to the points that have been raised here today.

Mr. Chairman, along with 23 cosponsors, I have introduced a bill dealing with the functions of the Rural Electrification Administration. I would like to discuss briefly the differences between the proposal now before this subcommittee, S. 75, and my bill, S. 144.

The latter, which was referred to the Committee on Government Operations, has been favorably reported by the subcommittee.

The bill which this subcommittee has under consideration, S. 75, would take the Rural Electrification Administration completely out of the jurisdiction of the Department of Agriculture, and establish a separate and independent agency.

At first glance, this proposal seems attractive because the REA would no longer be under the domination of the Secretary of Agriculture, regardless of who that Secretary of Agriculture might be at any time.

However, over the years, REA has definitely benefited from being a part of the Department of Agriculture.

I digress to point out that the Department of Agriculture has, in a sense, given additional prestige to the REA in terms of presentations the Department has made to Congress, because REA's needs have been part of an overall departmental budget proposal.

It is not my belief that Secretary Benson should be the dominant person in this controversy over what should happen to the Rural Electrification Administration because that is getting into personalities rather than getting into the operation and management of a very important agency.

Farmers and rural residents have benefited from REA's close association over the years with the Department of Agriculture. The program objectives have been oriented toward people instead of toward kilowatts alone, as might well be the case if REA were operated solely as a power and a loan agency on an independent basis.

Also, I think you will agree with me, as part of the Department of Agriculture REA has had the benefit of working with those committees of the Congress whose members are most interested in rural affairs. This has been the subject of considerable discussion this morning, and I might point out that when you establish a completely independent agency entirely outside of the Department of Agriculture, it is entirely probable that the legislative jurisdiction over the agency

known as REA would not be in this Committee on Agriculture. Where it would end up could easily be in Interstate and Foreign Commerce as an independent agency or some other committee of Congress, unless you specifically state it again in the legislation that it must go to such a committee, which is most unusual procedure, and which, by the way, would require House concurrence.

Senator ELLENDER. I wonder if the Senator would explain that for the record.

Senator HOLLAND. Will the Senator yield?

Senator HUMPHREY. Of course; yes, Mr. Chairman.

Senator ELLENDER. I wonder if the Senator would explain for the record why it is that the bill that he is sponsoring will be reported by a committee different than the one we are before now?

Senator HUMPHREY. Because we are not dealing at all with what is the substance of legislative policy. We are dealing strictly with the reorganization plan which was processed through the Committee on Government Operations, and there seems to be a feeling that it might have been better now if we hadn't done that, so we are reversing the field.

Senator ELLENDER. As the Senator remembers, the committee was not willing to lose jurisdiction over REA matters, but it finally concluded that since the objective of the Senator's bill was simply to restore the status of REA as in 1939, a matter which had been thoroughly discussed by the committee—by this committee—and presented to the Congress, that all you did, and what you are attempting to do now, is to really amend the Reorganization Act and the action taken in the Reorganization Act of 1953, and place it in the same status as was recommended by this committee of the Congress in 1953.

Senator HUMPHREY. You are certainly right.

In other words, the action of the Senate Committee on Government Operations in 1953 related to a total reorganization plan for the Department of Agriculture.

By the way, there was a number of votes against that, as you know. I think some of the members of this committee voted against that reorganization plan in the Congress.

Senator HOLLAND. You mean in 1953?

Senator HUMPHREY. In 1953.

Senator HOLLAND. I voted against it and spoke against it because I thought it was far too sweeping, and it gave greater power to the Secretary of Agriculture—and I don't speak of any individual Secretary—than was warranted, or in my opinion, safe to give.

Senator HUMPHREY. In 1954 there was a reorganization plan, which was defeated by the Congress. In other words, the Congress put firm objections to it going into effect.

Senator HOLLAND. I think the Senator from Kansas and I were the authors of the motion to disagree with it.

Senator HUMPHREY. That is correct. I recall it very well.

I believe the record will show that I, too, voted against the reorganization effort at that time because of what I thought were sweeping powers beyond those that were required.

Now, referring again back to Senator Ellender's question, we seek to do nothing new, Mr. Chairman, in S. 144. We seek only to restore the situation which existed up to 1953, namely, the provision of the

basic act of 1936, the Rural Electrification Act, Public Law 605 of the 74 Congress, plus the action of 1939 which placed the Rural Electrification Administration under the "general supervision and direction of the Secretary of Agriculture, within the Department of Agriculture." This in practice meant nothing more nor less than that the REA Administrator had complete authority over the REA loan-making functions.

The Administrator was appointed by the President and confirmed by the Senate. He was to be on a term basis that was not equal to that of any Secretary of Agriculture. I believe the years of service were 10.

Furthermore, only for purposes of bookkeeping and housekeeping functions and general presentation to the Congress was the Secretary of Agriculture to exercise jurisdiction. That was the way it developed, the way it worked, and the way it stood.

I simply believe that REA is a vital part of the rural scene, and therefore its affairs should come before the committees most directly interested and concerned.

The Committee on Agriculture and Forestry should be the committee for the legislative jurisdiction, and the Subcommittee on Agricultural Appropriations should be the committee for the financing.

Lastly, I believe we should look at the suggestion before us in terms of the whole administrative structure. When I say "the suggestion before us," I mean S. 75, the independent agency proposal. Sound administration certainly suggests that this Government must be simplified rather than be made more complex.

I think we should ask ourselves, is it in the national interest to establish a new agency when it is possible to accomplish our objective without doing so.

S. 144, the bill favorably reported by the subcommittee of the Committee on Government Operations, retains REA as a part of the Department of Agriculture. The Secretary of Agriculture continues to be the man in charge of broad policy, and to serve as the Cabinet-level link between the REA and the President.

I might add that if you make it an independent agency you have no Cabinet link whatsoever.

However, S. 144 establishes in no uncertain terms that no one shall interfere with the Administrator's duty and responsibility in handling REA loan applications. It specifically will prevent the present preemption of the Administrator's authority to approve loans by the Secretary of Agriculture, whoever he may be.

For these reasons Mr. Chairman, I suggest that the bill before us, S. 75, while it is obviously designed for a good purpose and is a very well meaning bill, should not be favorably reported.

I feel that the objective to which all this is directed could be well accomplished within the context of S. 144.

I want to say one final word. There is no pride of authorship about this at all. There are 23 bipartisan cosponsors with me on S. 144. We have had long hearings on the subject matter. I have the hearings here, Mr. Chairman. There are 305 pages of testimony in the hearings that we conducted last year.

I really and truly believe that, if S. 144 should be ultimately enacted to repeal the action of 1953 relating to REA, it would be help-

ful to the present Administrator in terms, let us say, of his public relations. I have no particular complaint, as Mr. Hamil knows, in reference to his operation, and I am not here to try to engage in any political polemics about REA and the Secretary of Agriculture or anybody else.

I just think it is better public policy to do what we once did as a matter of established procedure. It would calm the waters somewhat out on the farm front.

The proposal which we offer in S. 144 would unqualifiedly retain, without any further argument in the Congress, and without anybody getting into any discussion as to where the committee jurisdiction rested, the REA within the Department of Agriculture, keep jurisdiction in this committee for legislative purposes, and maintain appropriations jurisdiction in the respective subcommittees of the House and the Senate. There would not be any doubt about it, no argument. We would have everything that we apparently seek to accomplish.

Finally I believe I am correct—and I was last year—that the National Rural Electric Cooperative Association, the independent or the private group that works with the REA out in the field, supports S. 144. I think there are witnesses here who can indicate that. I think that is all I have.

Senator HOLLAND. They will be heard later.

I would like to ask you one question. You know, of course, that the Farm Credit Administration as now organized is in the Department of Agriculture, is a very important part of that Department, and yet is controlled by a rather large group of Governors confirmed by the Senate, it is true, but all of them but one named from the nominees of the rural people who own the Farm Credit Administration units in the several districts.

Senator HUMPHREY. Yes, sir.

Senator HOLLAND. In making the decisions, that group acts of course for the great group of farmers whom they represent.

Would there be anything particularly different between the functioning of the Administrator of the REA under your program as a completely independent decider of questions than the functioning of the Directors of the Farm Credit Administration as an independent group, whatever they are called by authority, to run the great and far-flung activities of the Farm Credit Administration?

Senator HUMPHREY. Mr. Chairman, it is my belief that the analogy that you have given is very pertinent to the proposal of S. 144, the proposal that I cosponsored in the Committee on Government Operations.

Senator HOLLAND. Are there any questions?

Senator MUNDT. Yes.

Senator HOLLAND. Senator Ellender, will you take the Chair? I find that I have a commitment that I must take care of.

Senator HUMPHREY. May I at this point ask to have printed along with my comments a copy of S. 144, with its cosponsors, along with a marked page from a prepared draft document of the committee print.

(S. 144 and the draft referred to are as follows:)

[S. 144, 86th Cong., 1st sess.]

A BILL To amend Reorganization Plan Numbered 2 of 1953

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of Reorganization Plan Numbered 2 of 1953 shall not hereafter apply to the Rural Electrification Administration, and there are hereby transferred to the Administrator of the Rural Electrification Administration all functions which were transferred from the Administrator to the Secretary of Agriculture by such reorganization plan; and notwithstanding the provisions of section 5 of Reorganization Plan Numbered 2 of 1939, or the provisions of any other law, any action of the Administrator of the Rural Electrification Administration with respect to the approval or denial of loans authorized to be made under the provisions of the Rural Electrification Act of 1936, as amended, shall be the sole responsibility of the Administrator.

PURPOSE

The purpose of S. 144 is to restore to the Administrator of the Rural Electrification Administration the statutory authority for the operation of the Rural Electrification Administration vested in him by the Rural Electrification Act of 1936 (Public Law 605, 74th Cong.).

This authority was transferred to the Secretary of Agriculture by Reorganization Plan No. 2 of 1953. S. 144 provides that Reorganization Plan No. 2 of 1953, which transferred all functions of all officers, agencies and employees of the Department of Agriculture, with certain exemptions therein noted, to the Secretary of Agriculture, shall not apply to the Rural Electrification Administration.

However, Reorganization Plan No. 2 of 1939, which originally transferred the Rural Electrification Administration to the Department of Agriculture, provided that it should be administered by the Administrator under the "general direction and supervision" of the Secretary of Agriculture. The Secretary of Agriculture contends that the authority for general direction and supervision of the Rural Electrification Administration granted him by Reorganization Plan No. 2 of 1939 includes the power of approving or rejecting REA loans, citing various court decisions to this effect.

The committee amendment would make the authority vested in the Secretary of Agriculture by Reorganization Plan No. 2 of 1939 over the operations of the Rural Electrification Administration inapplicable with respect to the approval or denial of REA loans authorized to be made under the provisions of the Rural Electrification Act of 1936.

Thus S. 144, as amended, would restore to the REA Administrator complete authority for the granting of REA loans as the Rural Electrification Act of 1936 provided. The bill, however, would not transfer the Rural Electrification Administration from the Department of Agriculture where it would continue to be administered along with the other agricultural credit agencies.

Senator MUNDT. Mr. Chairman.

Senator ELLENDER (presiding). The Senator from South Dakota.

Senator MUNDT. As I said earlier I want to either enact S. 75 or S. 144, whichever is the judgment of Congress it finally determines to be in the best interest of the REA. As Senator Humphrey knows I gave him my signed favorable vote in the subcommittee and supported S. 144.

Senator HUMPHREY. I appreciate it very much.

Senator MUNDT. I have already mentioned the reservation which I have toward S. 75 and suggest the possibility that its cosponsors might want to by amendment correct it so far as jurisdiction is concerned. I think that would be very important. Personally I would not want to support S. 75 without it.

I have one reservation in connection with S. 144 which I would like to discuss with Senator Humphrey. The words "general supervision

and direction" remain in the act after we adopt S. 144 and they would still be applicable. As I indicated earlier those words mean different things to different people. Some Secretaries of Agriculture might be very casual as to how they exercise this supervision and direction, and some might be a little bit more authoritative in their exercise of those words and that power.

The thing that I want to be sure that we avoid when we make this change—I am sure we are going to make one change or other—of injecting the Secretary of Agriculture, whoever it might be at any given time of history, in a position where he can sort of serve as a screening device for REA. I do not want that to happen. It has not happened, but I do not want to create a situation where it could happen.

I want to ask Senator Humphrey in the budgetary procedure if we enact S. 144 and in the representations made from the standpoint of money available to REA and RTA at the executive level, at the congressional level, can we be sure if S. 144 is enacted that moneys requested and the moneys envisioned as necessary by the Administrator of REA will be presented directly to the congressional committee or will they first have to be screened through the Department of Agriculture and to the Secretary of Agriculture and will he have the power to cut them down?

Senator HUMPHREY. I think that is the basic question and that is right at the center of the problem. Because of that, Senator Mundt, S. 144 took cognizance of that particular issue. Here is the language that clarifies it beyond a shadow of a doubt.

Going back to 1939 to the legislative authority of 1939 the language of "general direction and supervision of the Secretary of Agriculture" is in section 5 of the Reorganization Act of 1939. That was subject to some interpretation, namely, that it might lend itself to control over funds and loan authority, the very proposition to which you refer, the fear that you have, that I have, and that REA cooperatives have. So here is what we have done in S. 144. It says as follows that "Section 1 of the Reorganization Plan No. 2 of 1953 shall not hereafter apply to the Rural Electrification Administration," and "there are hereby transferred to the Administrator of the Rural Electrification Administration all functions which were transferred from the Administrator to the Secretary of Agriculture by such Reorganization Plan."

That takes care of the first part, namely, that the REA Administrator is restored to the basic statutory law of 1936.

Let us come to the general supervision and direction. "Notwithstanding the provision of section 5 of the Reorganization Plan No. 2 of 1939"—that is the one I read relating to the general supervision and direction—"or the provision of any other law, any action of the Administrator of the Rural Electrification Administration with respect to approval or denial of loans authorized to be made under the provision of the Rural Electrification Act of 1936 as amended shall be the sole responsibility of the Administrator."

That is about as clear as you can get it.

Senator MUNDT. Would the Senator be willing to amend S. 144 to add one additional clause to be sure we are doing what we are trying to do? What the Senator has read will take care of the situation

so far as loan applications and loan approvals. But I would like to add to that language "or in the presentation to the committees of Congress the representations and moneys required by the REA Administrator."

In other words, I want him to be able to come directly to the Congress to make these loan requests. Let the congressional committees vote them higher or lower rather than the Cabinet officers, the Secretary of Agriculture, have the responsibility which they might exercise sometime to reduce him below what the independent agency has required.

You know that happens frequently in soil conservation. It happens in other places legitimately, because the Cabinet officer is in charge of the whole shop. But I do not want him to have the authority to reduce the requests which are made to Congress on behalf of the REA. There is a difference between the loan applications and the loan approvals. That is one thing.

Senator HUMPHREY. Yes, sir.

Senator MUNDT. If you add the language "or in making the representations to Congress in the amount of money required" I think you have the thing squared away.

Senator HUMPHREY. I personally would have no objection to this. I want to say that here is a problem that you run into: It is a matter of the President's presentation of his total budget. An operation of an independent agency must be screened by the President.

Senator MUNDT. I want to eliminate the intermediate screening by the Cabinet officer, perhaps an apple polisher at times. He has an additional screening, which I would like to eliminate.

Senator HUMPHREY. Let me say to you that I surely feel that we ought to discuss this in the full committee before S. 144 is adopted. I would want, without making any hasty decision on that, Senator, to say that it would be better to take that up at the full committee level and see whether or not we can arrive at language that on the one hand does not deny the President the overall fulfillment of his responsibilities for the presentation of a budget that he believes is a coordinated one. I don't want to cripple any President's hand in that.

Second, we do not want to get into a situation where an official who is housed in a department is denied the chance to speak before a committee. If you want to say that an REA Administrator is permitted to appear before a committee, that nothing should be done to prevent the REA Administrator from presenting his particular evaluation before a committee, I sure agree to that.

Senator MUNDT. In evaluating the respective merits of the two bills and in trying to seek the overall objective of getting the greatest service to REA, concentrating the authority, being independent from any outside interference, I have at least stated here for the record the reservation which I have toward S. 144. I also have a reservation toward S. 75. I think either one of those reservations could be eliminated by some legislative carpentry work in the form of amendments.

I have suggested to Senator Curtis what I thought he and Senator Russell could do if the S. 75 approach is to be the one. I suggested to Senator Humphrey what I think we could do in the Committee on

Government Operations of which I am a member to meet the particular reservation there.

As long as we are going to clear this thing up I think we should eliminate any possible confusion and eliminate any possible interference.

Senator HUMPHREY. I say to you, Senator, that I have no personal objection to the proposal that you are making, but there were a number of cosponsors for the bill. I think we ought to take that up. But I think in so doing that we might want to consult, to be very frank, with the ranking members of this committee as to their general attitude on just what these authorizations should be, because that is what we are talking about, authorization requests and appropriation requests.

Senator MUNDT. We are talking here about appropriation requests because the size of the REA is governed by the funds available.

Senator ELLENDER. I may say if there are any material changes in S. 144 that the matter should come before this committee because we have jurisdiction of the whole subject matter as I suggested last week. The only reason why this committee didn't insist that it pass upon S. 144 was that the distinguished Senator from Minnesota made it clear that the only objective of S. 144 was to restore conditions pertaining to REA to the same status that obtained in 1939.

Senator HUMPHREY. And to make it unmistakably clear as to what that status would be in terms of the language of S. 144.

Senator ELLENDER. You still feel even though you would have followed the suggestion made to my friend from South Dakota that there wouldn't be any material change that would in any manner affect the situation as it compared to 1939?

Senator HUMPHREY. I do not think so, Mr. Chairman. That is why I said I thought we ought to consult.

Senator ELLENDER. As a matter of fact, Senator Mundt, the members of the Appropriations Committee are the ones who finally pass on that, irrespective of who presents the budget.

Senator MUNDT. That is right, but it is a little bit important, as you know, to get a budgetary request which is somewhat nearer what we think the particular agency deserves.

Senator ELLENDER. As I recall, prior to 1953 all of the budget requests for REA were defended by the Administrator of that agency and I presume that the same thing will follow if we restore the status of REA to what it was in 1939.

Senator SCHOEPEL. Mr. Chairman.

Senator ELLENDER. The Senator from Kansas.

Senator SCHOEPEL. I regret that a matter in which I am vitally interested is to be brought up in the Senate this afternoon and I will not be able to be here.

Senator ELLENDER. The committee has permission to continue this afternoon and I believe Senator Holland desires to continue it.

Senator SCHOEPEL. The matter before the Senate this afternoon is the matter of educational television. I am a cosponsor on that bill with Senator Magnuson.

I want to say before I leave that I have some definite reservations on S. 75. I recall what the Senator from Florida said about this

matter when the Reorganization Act was passed. I had some definite feeling about it at the time.

I have far less reservations about S. 144 than I have for S. 75. I regret that I will not be here this afternoon to ask some questions of some of the witnesses who appear later, but I shall read the record very carefully.

Senator ELLENDER. Are there any further questions to ask Senator Humphrey? If not, thank you, Senator Humphrey.

Senator HUMPHREY. Thank you, Mr. Chairman; very much.

(Thereupon, the committee proceeded to other business, to reconvene on this hearing in the afternoon, of the same day.)

AFTERNOON SESSION

Senator HOLLAND. We will now proceed to discuss S. 75. Mr. Scott.

STATEMENT OF KENNETH L. SCOTT, DIRECTOR OF AGRICULTURAL CREDIT SERVICES, U.S. DEPARTMENT OF AGRICULTURE

Mr. SCOTT. Before discussing the specific measures, I want to say that the REA programs have received the constant, unstinting support of the Secretary and his associates in the Department, including myself. The Department of Agriculture is proud of REA. In fact, I would say that the rural electrification and telephone programs are two of the outstanding services of the Department. The unanimity of support and praise with which the programs have been received by farmers and other rural people, by farm organizations, and the Congress attest to the effective job which has been done. Much of the credit for these outstanding record accomplishments is due the thousands of men and women who have been building these systems in the rural communities.

It is a matter of real satisfaction to us to have had part in the great contributions of these programs to American agriculture and to the national economy as a whole. It is our purpose and intention to aid these local systems to become stronger and better able to meet the growing needs of their service areas. The record for the past 6 years attests to this fact.

We recommend that S. 75 not be enacted. This would reverse the sound action taken 20 years ago. As stated in the Department's report on the bill:

Section 5 of Reorganization Plan No. 2 of 1939 transferred REA and its functions and activities from independent status to the Department of Agriculture and provided that they be administered in the Department by the Administrator of the Rural Electrification Administration under the general direction and supervision of the Secretary of Agriculture.

The basic reason for the adoption of Reorganization Plan No. 2 of 1939 was to improve the administrative management of the executive branch by a more logical grouping of existing units and functions and by a further reduction in the number of independent agencies.

In the message transmitting this plan, the President stated that the work of the Rural Electrification Administration in its educational as well as its lending functions is clearly a part of the rural life activities of the country and should, therefore, be administered in coordination with the agricultural activities of the Government. The Department is justifiably proud of the record of service and achievement and the outstanding progress which has been made during this

period of 20 years of the administration of the REA program within the Department * * *.

The basic reasons for the adoption of Reorganization Plan No. 2 of 1953 were to centralize in the Secretary of Agriculture the responsibility and the authority for effective administration within the Department and to correct the patchwork assignment of statutory functions in the Department. It was determined that in this way departmental operations could be simplified and made more effective and the Secretary be enabled to adjust organization of the Department in order to achieve continuous improvements in operations to meet changing conditions.

REA has been an integral part of the Department for 2 years. It came in its infancy and has reached a healthy maturity as a member of the Agriculture team. The basic considerations underlying the reorganization plans of 1939 and 1953 apply as well today as they did when adopted.

Administrator David Hamil is here and will himself give an accounting of his stewardship of REA as an agency within the Department of Agriculture. I will briefly cite a few pertinent facts from the record which indicate the outstanding progress of these rural systems during the past 6 years:

1. Loans of about \$1.2 billion have been made during this period. This is almost one-third of the \$3.8 billion approved since the start of the program—about 25 years ago.

2. Loans have been made more promptly. Substantial savings in expense and time have accrued to borrowers and REA from the elimination and simplification of procedures.

3. Some 800,000 new consumers and 180,000 miles of line have been added to REA electric systems. About 96 percent of our farms now have electricity, and more than half of these farms are served by REA borrowers.

4. Power sales on REA systems have reached an estimated 21.7 billion kilowatt-hours which is double the sales in 1952.

5. Loans were approved to provide facilities for 1,116,000 kilowatts of generating capacity, almost double the total provided in the previous 17½ years.

6. The number of electrification borrowers behind in their loan payments dropped from 45 to 6. There are nearly 1,000 active borrowers. These systems have made payments on principal and interest in excess of \$1 billion. At year-end the systems were ahead on their payments in the amount of \$139 million.

7. The net worth of electrification borrowers has more than tripled, increasing from \$161 million to \$512 million in the 6 years of the present Administration. On January 1, 1959, net worth was about 16.4 percent of total assets.

It has been charged, as it appears from remarks published in the press and in the Congressional Record, that REA, under its present arrangement, has been hampered in its operations and is being destroyed. The record shows how completely false are such charges of obstruction and destruction.

It is claimed that the Secretary has taken away the authority of the Administrator to approve loans. This is not so. The Department has made no substantial change in REA organization or policies. Nor has it transferred any powers or functions from REA. Secretary Benson has testified and publicly stated on several occasions that he

will make no changes in the REA organization without consulting with the Congress and giving public notice before such changes become effective. The Secretary has adhered fully to this promise.

In June of 1957 Mr. Hamil was asked to refer to me, for my information and possible discussion, contemplated loans of a half million dollars and more and loans to new borrowers. This request in no way curtailed the Administrator's authority for final approval of new loans. Not a single loan application has been turned down at my request or suggestion—nor have any been unduly delayed. The review of these loans has given me a broad picture and a better understanding of the operations of the REA systems. This has enabled me to more effectively handle matters relating to policies and procedures intended to accomplish the purposes of the act.

Recently we have changed the arrangement so that only generation and transmission loans of a million dollars or more and loans to new telephone borrowers are referred to me for review. This procedure is working smoothly and has in no way hampered REA's effective operation. We intend to assist in improving the service to the borrowing systems, and in no way impede or detract from it.

It has been said also that REA would be destroyed if the Department's legislative recommendations are enacted into law. That claim is completely erroneous. It attributes to the Department and this Administration a motive which we firmly deny. On the contrary, the record of our administration of this program shows that we have consistently and effectively supported these systems.

To carry out the recommendations of the President in his budget message for 1960, the Department is in the process of preparing for submission to the Congress, legislation which would adjust the interest rate to reflect the cost of money to the Treasury and also to broaden the sources of capital for the borrowers. This would replace on future loans the fixed rate of 2 percent established 15 years ago when financial conditions and the state of progress of the REA programs were quite different from what they are today. There would be no change in the interest rate on loans totaling nearly \$4 billion which have been approved.

The REA systems have progressed to the extent that they are now able to start using some private loan funds along with Federal funds. This proposal is in keeping with the traditional pattern of the Federal Government in encouraging businesses to go forward with less dependence on Government resources after they have become well established. The transition from complete Federal financing to private financing can be made in an orderly and gradual manner. We believe this can be accomplished in a way that will not work a hardship on any rural system or its consumers.

Recently the President again stated the Administration policy when he expressed the sincere desire to see the REA-financed systems become even stronger and more self-sufficient.

REA and REA systems have changed a great deal since 1944 when the present financing pattern was established. Rural industrial and nonfarm residential consumers now account for more than half of the total power load on these systems and their proportion of total sales is expected to increase. The nonfarm loads in the future will account for a large part of the loan requirements for increased capacity.

About 75 percent of the more than 100,000 new consumers being added annually are nonfarm consumers. These nonfarm consumers are just as eligible under the act as farm families. The large percentage of increase in nonfarm consumers and the heavy investment in plant and facilities to serve their needs is the result of rapid growth and development that is occurring in many rural areas throughout the country.

The service areas of many of these rural electric systems have changed from a farming area with only small communities to an extensively developed and rapidly growing area. During this period of about 25 years the basic loan authority in the Rural Electrification Act has remained substantially the same. The act authorizes the advancement of loan funds to serve any rural consumer who is not receiving central station service.

In addition to providing for the increased power requirements of existing consumers, REA loans commonly provide funds to extend service to new housing subdivisions, or new industrial plants of various sizes, to recreational and resort facilities, or street lights for small communities. Occasionally the purpose of the loan will be to extend lines to a new oil and gas field or to a large mining, lumber, or other industrial plant in a remote area.

Sometimes these profitable payloads make it possible for the first time to extend service to isolated farm and ranch families. Generally, this expansion in profitable nonfarm loads is contributing substantially to the growth in system net worth.

These rural systems have made tremendous growth since the REA program was started 25 years ago. These systems have a very favorable outlook for continued growth and development. We think it would be in their best interest to start making long-range plans to adequately meet their future requirements. We stand ready to join with representatives of these systems in developing such long-range plans—carefully tailored to their particular needs.

To summarize: The Department of Agriculture is in accord with the views, as I have already stated, expressed in Senate Resolution 21, and we are opposed to the enactment of S. 75.

Mr. Chairman and members of the committee, I thank you, and I will either respond to questions now, or let Mr. Hamil give a short statement.

Senator HOLLAND. Senator Aiken, do you have questions with reference to S. 75 that you would like to ask Mr. Scott?

Senator AIKEN. No, Mr. Chairman. I am familiar with the work of the REA under Mr. Hamil and under Mr. Nelson, and if you want to go all the way back, it has done an excellent job and it has done a particularly fine job in the past 5 years. While I am always ready to listen to testimony with an open mind and not make up my mind until the time comes, I will have to admit that at this moment I can't see any great advantages to be gained by setting up an independent agency or changing the system which has worked so well up to now.

That doesn't mean that I will agree with every recommendation, however, made by the administration as to the future operations of the REA. And it doesn't mean that I will agree in part. But we will cross that bridge when we come to it. They have done a good job.

Senator HOLLAND. All right, Mr. Hamil.

**STATEMENT OF DAVID A. HAMIL, ADMINISTRATOR, RURAL
ELECTRIFICATION ADMINISTRATION, U.S. DEPARTMENT OF
AGRICULTURE**

Mr. HAMIL. With respect to the proposal to reestablish REA as an independent agency of the Federal Government, I see nothing to be gained and perhaps much to be lost by such a move. I had no direct experience with REA prior to 1939, when it became a part of the Department of Agriculture. When I entered office, I found a hard-working devoted group of employees in REA doing what is generally recognized as an outstanding job in helping rural America obtain and keep modern and dependable power and communication service. Many of these employees had been with the agency since its inception. I made no changes of any consequence in the staffing pattern or in the staff itself. I know of no staff changes I would make if the reorganization proposal were to become law.

One of my first tasks was to acquaint myself with basic program policies and procedures. Most of these were long standing and time proven. They are under constant examination to determine whether they are working or need change.

I am going to add right there that any time we find a better method of doing something, Mr. Chairman, we are going to put it into our program, and until we do, we are going to continue to follow what has been proven to be a good method.

I also found myself a part of a team of agricultural officials in the Department who, from Secretary Benson on down, have always exhibited a deep and genuine interest in the REA programs and their advancement. Having available the counsel of Ezra Taft Benson, with his world of experience in the cooperative movement and in agriculture generally, has helped immeasurably in the discharge of my responsibilities. His general supervision and direction, brought to REA through the 1939 reorganization plan, whether exercised personally or through his immediate staff, has been and is a valuable element in the program's success. Kenneth L. Scott, the Director of Agricultural Credit, has had vast experience in agricultural credit matters and is always a source of wise and sympathetic counsel. Ready access to these resources and to the accumulated experience of other Department officials, who are experts in such fields as cooperative finance and management, agricultural and rural economics, and internal management and budgeting, has fully justified the action of the Chief Executive and the Congress in placing REA within the Department of Agriculture.

The proposal to divorce REA from the Department of Agriculture must necessarily indicate a belief either that the job is not being well done or that it can be done better by an independent agency.

As to how the job is being done, I think that the facts speak for themselves. I would like to offer for insertion in the record at this point statistical information to establish our progress during the past 6 years.

Mr. Chairman, here it is.

Senator HOLLAND. Without objection it will be inserted.

(The data referred to follows:)

TABLE 1.—Purpose of electric loans

Calendar year	Distribution (excludes system im- provements)	System im- provements	Total distribution	Generation	Transmission	Consumer facilities	Gross loans made
1953.....	(1)	(1)	\$119,003,843	\$3,124,295	\$20,773,461	\$1,748,262	\$144,649,861
1954.....	\$90,180,885	\$38,438,890	128,619,775	25,345,792	14,656,363	2,863,000	171,484,930
1955.....	91,379,969	36,564,841	127,944,810	23,504,850	24,066,340	4,580,000	180,096,000
1956.....	80,854,344	58,742,537	139,596,881	43,628,608	32,631,925	4,765,000	220,522,414
1957.....	88,516,577	82,874,804	171,391,381	70,718,143	49,796,245	4,570,000	296,475,769
1958.....	66,251,817	51,063,106	117,314,923	51,526,726	40,780,351	4,180,000	213,802,000
Total 1953-58.....	(1)	(1)	803,871,613	217,748,414	182,704,685	22,706,262	1,227,030,974
Total 1935-58 ²	(1)	(1)	2,938,385,204	435,489,290	433,053,188	39,692,933	3,846,620,615

¹ Not separately reported.² Net cumulative.

TABLE 2.—*Loans for generation and transmission*

Calendar year	Number generation loans	Amount of generation loans	Number of transmission loans	Amount of transmission loans	Generation and transmission as percent of total loans during year
1953.....	13	\$3,124,295	67	\$20,773,461	16.5
1954.....	16	25,345,792	57	14,656,363	23.3
1955.....	13	23,504,850	76	24,066,340	26.4
1956.....	13	43,528,608	77	32,631,925	34.5
1957.....	23	70,718,143	101	49,796,245	40.6
1958.....	16	51,526,726	87	40,780,351	43.2
Total 1953-58.....	94	217,748,414	465	182,704,685	32.6

TABLE 3.—*Funds advanced to electric borrowers*

Calendar year:	Funds advanced
1953.....	\$202,354,558
1954.....	164,216,078
1955.....	153,322,400
1956.....	161,425,783
1957.....	212,903,424
1958.....	203,341,562
Total, 1953-58.....	1,097,563,805
Total, 1935-58 (net cumulative).....	3,254,776,704

TABLE 4.—*Financial condition of electric borrowers improves*

Calendar year:	Net worth up		Net margins up	
	Total net worth (as of Jan. 1)	As a percent of assets (as of Jan. 1)	Annual net margins	As a percent of operating revenues
1953.....	\$161,341,922	7.7	\$30,828,814	8.5
1954.....	193,103,222	8.4	43,965,783	10.8
1955.....	235,668,151	9.6	58,836,250	13.1
1956.....	293,424,923	11.2	69,389,622	14.1
1957.....	365,672,752	13.2	68,900,391	13.2
1958.....	436,921,946	14.9	173,400,000	13.0
1959 ¹	512,000,000	16.4		

¹ Estimated.TABLE 5.—*Payments by electric borrowers to Government increase*

Calendar year	Interest	Principal	Increase in payments ahead of schedule	Total payments	Number of delinquent borrowers (as of Jan. 1)	Amount of payments in arrears (as of Jan. 1)
1953.....	\$22,945,825	\$42,742,293	\$10,025,059	\$75,713,177	45	\$718,399
1954.....	29,114,872	52,591,566	16,151,436	97,857,874	25	355,592
1955.....	34,695,030	63,702,170	12,584,488	110,981,688	13	307,340
1956.....	38,468,250	71,255,819	11,409,325	121,133,394	15	417,183
1957.....	40,772,282	74,259,131	14,842,106	129,873,519	8	233,873
1958.....	43,628,506	79,633,730	21,489,249	144,751,485	6	123,207
1959.....					6	137,553

Cumulative as of Dec. 31, 1958:

Total interest due and paid.....	\$350,163,823.30
Total principal due and paid.....	586,441,630.29
Total advance payments.....	138,972,625.49
Total principal overdue more than 30 days.....	104,217.04
Total interest overdue more than 30 days.....	33,335.79

TABLE 6.—*Number of electric consumers and miles of line continue to grow*

	Consumers served	Miles of line energized
As of January 1:		
1953	3, 858, 396	1, 244, 645
1954	4, 024, 826	1, 297, 264
1955	4, 174, 346	1, 332, 937
1956	4, 251, 250	1, 361, 605
1957	4, 361, 896	1, 382, 737
1958	4, 466, 444	1, 405, 327
1959 (estimate)	4, 590, 000	1, 426, 000

Average consumption of power per consumer climbs

[In kilowatt-hours]

Calendar year	Annual usage	Monthly usage
1953	3, 000	250
1954	3, 360	280
1955	3, 672	306
1956	4, 020	335
1957	4, 368	364
1958 (estimated)	4, 680	390

TABLE 7.—*Sales of power by borrowers climb*

Calendar year	Kilowatt-hours	Revenues
1952	10, 127, 863, 000	\$321, 407, 348
1953	11, 804, 174, 000	362, 977, 101
1954	13, 829, 131, 000	408, 144, 564
1955	15, 738, 772, 000	449, 625, 847
1956	18, 197, 414, 000	491, 184, 729
1957	19, 676, 628, 000	523, 783, 014
1958 (established)	21, 705, 000, 000	563, 100, 000

TABLE 8.—*Retail price of power down*

Calendar year:	Price per kilowatt-hour (cents) (all consumers)
1952	2. 98
1953	2. 92
1954	2. 80
1955	2. 71
1956	2. 62
1957	2. 55
1958 (estimated)	2. 47

Wholesale cost of power down

Fiscal year:	Cost per kilowatt-hour (cents) (all consumers)
1952	0. 79
1953	. 78
1954	. 76
1955	. 74
1956	. 72
1957	. 71
1958	. 70

TABLE 9.—*Telephone loans made*

Calendar year:	Gross loans
1953.....	\$50, 112, 000
1954.....	66, 346, 000
1955.....	66, 808, 000
1956.....	82, 181, 000
1957.....	76, 455, 000
1958.....	102, 927, 000
Total 1953-58 (gross).....	444, 829, 000
Total 1949-58 (net).....	526, 540, 415

Funds advanced to telephone borrowers increase

Calendar year:	Funds advanced
1953.....	\$25, 995, 638
1954.....	35, 402, 438
1955.....	46, 025, 668
1956.....	63, 011, 184
1957.....	78, 374, 801
1958.....	88, 888, 216
Total 1953-58.....	337, 697, 945
Total 1949-58.....	355, 420, 530

TABLE 10.—*Payments by telephone borrowers to Government increase*

Calendar year	Interest	Principal	Increase in payments ahead of schedule	Total payments	Number of delinquent borrowers (as of Jan. 1)	Amount of payments in arrears (as of Jan. 1)
1953.....	\$83, 614	\$120, 627	\$5, 355	\$209, 596	1	\$1, 873
1954.....	384, 613	1, 058, 705	3, 112	1, 446, 430	31	174, 410
1955.....	631, 327	684, 857	144, 876	1, 461, 060	33	436, 006
1956.....	1, 244, 845	1, 391, 971	107, 112	2, 743, 928	23	497, 697
1957.....	1, 935, 939	2, 387, 817	254, 344	4, 578, 100	25	534, 719
1958.....	2, 849, 223	3, 564, 507	581, 825	6, 995, 555	17	388, 186
1959.....					16	373, 403

Cumulative as of December 31, 1958:

Total principal due and paid.....	\$9, 225, 970. 06
Total interest due and paid.....	7, 130, 521. 31
Total advance payments.....	1, 096, 624. 04
Total principal overdue more than 30 days.....	347, 639. 52
Total interest overdue more than 30 days.....	25, 763. 11

TABLE 11.—*More rural people getting better telephone service each year*

Calendar year	Subscribers provided for by loans		Route miles of line provided by loans
	Initial service	Improved service	
1953.....	35, 682	34, 625	20, 532
1954.....	64, 136	62, 530	38, 569
1955.....	71, 030	83, 240	32, 903
1956.....	69, 204	119, 075	35, 173
1957.....	55, 620	92, 854	29, 573
1958.....	80, 243	107, 750	37, 393
Total 1953-58 (gross).....	375, 915	500, 074	194, 143
Total 1949-58 (net).....	495, 994	604, 240	257, 392

Telephone construction—By years

Calendar year	Number of exchanges cut over to dial	Number of miles of line built
1953.....	112	15, 196
1954.....	121	16, 996
1955.....	275	20, 442
1956.....	301	28, 613
1957.....	380	41, 454
1958.....	435	37, 140

Mr. HAMIL. In addition, I point to numerous resolutions adopted at local, statewide, regional, and national meetings of the rural people who actually own and operate the systems financed by REA. These resolutions attest to their approval of the way in which the REA programs are being administered.

As to the future, I pledge that all of us in REA and in the Department will continue to strive to improve our procedures, our policies, and our performance. In my opinion, removal of REA from the Department would not, in itself, constitute an improvement in any of these areas, nor would such an action hasten improvements.

Mr. Chairman, I am at your disposal to answer any questions, to discuss this material which I have submitted, and to provide you with whatever further information you may wish.

Senator HOLLAND. I have no questions.

Do you have questions, Senator Aiken?

Senator AIKEN. I have no questions.

Senator HOLLAND. I am sorry other members of the committee are not here.

Mr. HAMIL. Thank you very much, Mr. Chairman.

Senator HOLLAND. We have Mr. R. F. Keller, General Counsel, of the General Accounting Office.

Is Mr. Keller here?

Mr. KELLER. Yes.

Senator HOLLAND. You have a statement that you wish to present?

Mr. KELLER. Yes.

Senator HOLLAND. I am trying to work this out, Mr. Keller. I don't think we can finish today, so I am thinking about going over to tomorrow and winding up by noon. I am just asking for expressions.

Mr. KELLER. My statement will take 6 or 8 minutes.

Senator HOLLAND. You don't know how long you are going to be examined by us.

Then we have Mr. Angus McDonald, coordinator, division of legislative services, National Farmers Union.

Are you here, Mr. McDonald?

Mr. McDONALD. Yes.

Senator HOLLAND. And you have a brief statement?

Mr. McDONALD. Yes.

Senator HOLLAND. And Mr. William C. Wise and Clyde T. Ellis.

Mr. WISE. Mr. Chairman, I am Mr. Wise. I am testifying only with respect to Senate Resolution 21. I will take about a half hour.

Senator HOLLAND. And you, sir?

Mr. DELL. I am Dick Dell, from Mr. Ellis' office.

Senator HOLLAND. Mr. Ellis will not be here?

Mr. DELL. Mr. Ellis will be here, and he will need about 20 minutes as far as his statement is concerned.

Senator HOLLAND. I suggest, unless somebody here has got to leave town, that we go over until 10 tomorrow morning, not 10:30, with the intention of getting through by 12.

I don't believe by continuing we could hope to get through this afternoon before around 6, and I personally have some engagements that require me to be somewhere else at that time.

What about you, Senator Aiken?

Senator AIKEN. That is satisfactory to me.

Senator HOLLAND. You all have offices here in the town, don't you?

Mr. DELL. Yes.

Senator AIKEN. Also we will have more members of the committee present tomorrow.

Senator HOLLAND. We ought to have more members of the committee here because these are questions of public policy that they are concerned with.

Thank you, gentlemen.

(Whereupon, at 3:40 p.m., the subcommittee adjourned to 10 a.m., Friday, March 6, 1959.)

RURAL ELECTRIFICATION ADMINISTRATION

FRIDAY, MARCH 6, 1959

U.S. SENATE, SUBCOMMITTEE
ON AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION
OF THE COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 12:30 p.m., room 324, Senate Office Building, Senator Spessard L. Holland (chairman of the subcommittee) presiding.

Present: Senators Holland, Ellender (chairman of the full committee), Talmadge, Young of Ohio, and Schoeppel.

Senator HOLLAND. The Senator from Nebraska, Senator Curtis, requests permission to file a statement supplemental to the statements that he made yesterday.

Without objection, that will be done.

(The statement referred to follows:)

The discussions before the subcommittee clearly show that there is confusion as to the intent and purpose of S. 144. If it is intended to mean that the bare act of affixing or refusing to affix his signature to a loan is the sole responsibility of the Administrator, the bill is meaningless. If it means that all decisions as to policies, procedures, and personnel, which are the ingredients of the loan process, are to be made by the Administrator, then the enactment of the bill would result in removing REA from the Department of Agriculture.

S. 75 removes all doubt as to the authority of the Administrator with respect to the loan programs authorized by the Rural Electrification Act of 1936, as amended. S. 144 creates confusion and doubt as to who has the final responsibility for carrying out the objectives of this act. Even the most charitable view of S. 144 means that there will be two administrative heads of REA. The extent of the authority of either of these heads is not made clear by the provisions of S. 144. Having two bosses with their jurisdiction undecided could lead to only one end—hopeless confusion and a serious adverse effect on the accomplishments of the REA program. The Congress should not at this time take any action which might defeat the objectives of the act.

For example, S. 144 proposes to repeal that part of Reorganization Plan No. 2 of 1953, which transferred to the Secretary of Agriculture authority in addition to that given him by Reorganization Plan No. 2 of 1939. This is proposed in an effort to give to the Administrator sole responsibility for the making of loans. At the same time, if S. 144 is enacted the Administrator will have, according to title I of the Rural Electrification Act of 1936 with amendments "all of the powers of which shall be exercised by an Administrator, under the general direction and supervision of the Secretary of Agriculture." There is no effort to clarify what "general direction and supervision" the Secretary of Agriculture will then have should S. 144 be enacted.

Section 3 of the Rural Electrification Act of 1936, as amended, provides "The Secretary of the Treasury is hereby authorized and directed to make loans to the Administrator, upon the request and approval of the Secretary of Agriculture." This is obviously an important policy function still vested in the Secretary of Agriculture which is not dealt with in S. 144.

S. 75 clearly places complete authority in the Administrator and makes him subject to the control of the Congress. It is not clear what S. 144 will do to the REA program. For the reasons stated herein and for the additional

reasons given in my earlier statement before the committee, I recommend the enactment of S. 75.

Senator HOLLAND. The American Farm Bureau Federation wishes to file a statement for the record.

Without objection, that is permitted on the same basis just mentioned.

(The statement referred to follows:)

WASHINGTON, D.C., March 9, 1959.

HON. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
U.S. Senate,
Washington, D.C.

DEAR SENATOR ELLENDER: S. 75 would establish the Rural Electrification Administration as an independent agency.

It is our view that this would be an undesirable change. The Rural Electrification Administration, like all the other services and agencies in the Department of Agriculture, is primarily engaged in serving farmers. It would seem to us to be generally advisable that all such services and agencies should operate under the general supervision of the Secretary of Agriculture. Effective and efficient governmental practice necessitates clear-cut lines of administrative responsibility and the avoidance, except where other considerations are overwhelming, of independent bureaus owing no allegiance or accounting to any part of the executive branch.

In this particular case we know of no circumstances which would warrant any change in the present arrangement. We are opposed to the enactment of S. 75.

It will be appreciated if you will include this letter in the hearing record.

Sincerely yours,

JOHN C. LYNN,
Legislative Director,
American Farm Bureau Federation.

Senator HOLLAND. Mr. McDonald, will you proceed.

STATEMENT OF ANGUS McDONALD, COORDINATOR, DIVISION OF LEGISLATIVE SERVICES, NATIONAL FARMERS UNION

Mr. McDONALD. Although we are in sympathy with the purposes of the authors of S. 75, we must reluctantly oppose it because we feel strongly that the bill (S. 144), sponsored by Senator Humphrey and 13 other Senators, will accomplish the apparent purposes of Senators Curtis and Russell. At the same time it will remove any possible chance of resulting hardship that the employees of the Rural Electrification Administration might suffer and will continue in office an individual who is in sympathy with the purposes of the act and who has a deep understanding and long experience with farmers and farm problems.

Although we are in disagreement to a certain extent with David Hamil, the Rural Electrification Administrator, we have never questioned his sincerity or his devotion to the welfare of agriculture.

The Curtis bill would make it possible for a new Administrator to be appointed for a period of 10 years and also make possible the arbitrary discharge of experienced, capable, and loyal employees of the Rural Electrification Administration.

The Humphrey bill, on the other hand, would merely restore the authority of the Administrator to approve or disapprove loans which has been taken away by Secretary Benson. I will not burden the record with an elaboration of our views on the changes in REA

administration which was accomplished some time ago and which occasioned this legislation and much apprehension in the Congress and among the members of rural electric cooperatives.

I merely call attention to the views presented to the Senate Government Operations Committee, June 18, 1958, in which we presented testimony on legislation, which, I believe, was identical to S. 144.

At that time, we reminded the committee of Mr. Benson's promise to consult with both Congress and farm organizations and reported that Mr. Benson had never consulted with the National Farmers Union or with anyone else as far as we know in regard to changes in the REA.

We also commented at some length on the views of Senator Russell who warned the committee in 1953 that the reorganization proposal was a "pig in a poke" and that he feared that the Secretary of Agriculture might in some way, under this new authority, cripple or abolish important functions of the Rural Electrification Administration.

Senator HOLLAND. Mr. Ellis, will you proceed with your testimony on S. 75?

**STATEMENTS OF CLYDE T. ELLIS, GENERAL MANAGER, AND
RICHARD A. DELL, DIRECTOR, LEGISLATION AND RESEARCH
DEPARTMENT, NATIONAL RURAL ELECTRIC COOPERATIVE
ASSOCIATION**

Mr. ELLIS. I would like to comment on S. 75 briefly if I may.

Senator HOLLAND. That begins on page 3 of your statement?

Mr. ELLIS. Yes, sir. May I ask at this time that you permit the resolutions of our people, except those which duplicate those which Mr. Wise submitted, to be made a part of the record?

Senator HOLLAND. Without objection it is so ordered. Is that on Senate Resolution 21?

Mr. ELLIS. They deal with S. 75.

Senator HOLLAND. The resolutions will be included in the record of S. 75 only.

(The resolutions are as follows:)

RESOLUTION

RURAL ELECTRIC SYSTEMS IN REGION I

The following resolution was adopted at the regional meeting held in Burlington, Vt., September 25-26, 1958, by rural electric systems operating in the States of Delaware, Maine, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, North Carolina, Vermont, and Virginia:

REA REORGANIZATION

Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office; and

Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed.

RESOLUTION

RURAL ELECTRIC SYSTEMS IN REGION II

The following resolution was adopted at the regional meeting held in St. Petersburg, Fla., November 3-4, 1958, by the rural electric systems operating in the States of Georgia, Florida, and South Carolina:

REORGANIZATION OF REA

Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office; and

Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, as amended by the House subcommittee, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed.

RESOLUTION

RURAL ELECTRIC SYSTEMS IN REGION III

The following resolution was adopted at the regional meeting held in Gatlinburg, Tenn., September 15-16, 1958, by rural electric systems operating in the States of Alabama, Mississippi, Kentucky, and Tennessee:

REA REORGANIZATION

Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

Whereas in June 1957 the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and all loans of whatever amount to new borrowers, be reviewed by the Secretary's office: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

Resolved, That the new Congress convening in 1959 be urged to introduce and pass a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original REA Act of 1936, be introduced and passed.

RESOLUTION

RURAL ELECTRIC SYSTEMS IN REGION IV

The following resolution was adopted at the regional meeting held in French Lick, Ind., September 4-5, 1958, by rural electric systems operating in the States of Ohio, Indiana, Michigan, and West Virginia :

REA REORGANIZATION

Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate, for a 10-year term to insure nonpartisan, nonpolitical administration; and

Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committee and other interested groups; and

Whereas in June 1957 the Secretary did reorganize REA by requiring that all loans of \$500,000 or more and all loans of whatever amount to new borrowers, be reviewed by the Secretary's office; and

Whereas Secretary Benson has proposed a bill to the Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed.

RESOLUTION

RURAL ELECTRIC SYSTEMS IN REGION V

The following resolution was adopted at the regional meeting held in Madison, Wis., September 29-30, 1958, by rural electric systems operating in the States of Illinois, Iowa, and Wisconsin :

REA REORGANIZATION

Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committee and other interested groups; and

Whereas in June 1957 the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's Office; and

Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed.

RESOLUTION

RURAL ELECTRIC SYSTEMS IN REGION VI

The following resolution was adopted at the regional meeting held in Bismarck, N. Dak., October 27-28, 1958, by rural electric systems operating in the States of Minnesota, North Dakota, and South Dakota :

REA REORGANIZATION

Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

Whereas in June 1957 the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's Office; and

Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed.

RESOLUTION

RURAL ELECTRIC SYSTEMS IN REGION VII

The following resolution was adopted at the regional meeting held in Denver, Colo., November 10-11, 1958, by rural electric systems operating in the States of Colorado, Kansas, Nebraska, and Wyoming:

REA REORGANIZATION

Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

Whereas in June 1957 the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's Office; and

Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, as amended by the House subcommittee, which would restore to the REA Administrator all of the functions and authority vested in him by the original Act of 1936, be introduced and passed.

RESOLUTION

RURAL ELECTRIC SYSTEMS IN REGION VIII

The following resolution was adopted at the regional meeting held in Oklahoma City, Okla., October 30-31, 1958, by rural electric systems operating in the States of Arkansas, Louisiana, Missouri, and Oklahoma:

REA REORGANIZATION

Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

Whereas in June 1957 the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's Office; and

Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, as amended by the House subcommittee, which would restore to the REA Administrator all of the functions and authority vested in him by the original Act of 1936, be introduced and passed.

RESOLUTION

RURAL ELECTRIC SYSTEMS IN REGION IX

The following resolution was adopted at the regional meeting held in Missoula, Mont., November 13-14, 1958, by the rural electric systems operating in the States of Alaska, California, Idaho, Montana, Nevada, Oregon, Utah, and Washington:

In order to further the national objectives of the Rural Electrification Act and the laws relating to the comprehensive development of the Nation's energy resources, and in order to assure an adequate supply of low cost power for maximum development of rural America, we adopt the following legislative policies, and we urge our leaders and public officials to take prompt and continuing steps to bring these about:

* * * * *

3. We urge Congress to reestablish the full authority of the REA Administrator to make loans.

* * * * *

RESOLUTION

RURAL ELECTRIC SYSTEMS IN REGION X

The following resolution was adopted at the regional meeting held in Brownsville, Tex., November 17-18, 1958, by rural electric systems operating in the States of Texas, Arizona, and New Mexico:

REA REORGANIZATION

Be it resolved, That as soon as the Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, as amended by the House subcommittee, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and its passage pressed.

RESOLUTION

Adopted at the 17th Annual Meeting of the National Rural Electric Cooperative Association, Washington, D.C., February 9-12, 1959

REORGANIZATION OF REA

Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and all loans of whatever amount to new borrowers, be reviewed by the Secretary's Office; and

Whereas the Humphrey-Price bill would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, without divorcing REA from the Department of Agriculture: Now, therefore, be it

Resolved, That we urge the Congress to pass the Humphrey-Price bill as early as possible in the 86th Congress.

Mr. ELLIS. Mr. Chairman, we have taken what we regard as the more moderate view on the matter of what to do with REA to regain for the REA Administrator the independence of making loans, and we are not asking that the Rural Electrification Administration be made a separate agency apart from Agriculture.

As a Member of the House, I think I voted for the Reorganization Act of 1939. I recall protesting the movement of REA into the Department of Agriculture. I am not sure whether it was damaged or not. I am sure that there are certain advantages in its being in the Department.

In the first place, as a part of the Department under a Cabinet officer it has representation; the case of REA has representation at the Cabinet level. Also, as you will recall, extensive studies were made as the war was coming on and Hitler and Mussolini were on the prowl in Africa and Europe, on how to streamline the Government. I was one of those who protested this matter to the President, and he insisted, "I must have fewer administrative agencies reporting to me." At different times this matter came up in the administration of Harry Truman and he took the position, "I need less, not more independent agencies reporting to the President."

We also raised this question again during this administration and received the same indication from the people responsible for streamlining government. Here on the Hill you have some people who have made such studies, and we have also discussed this matter with some of them. Senator Monroney takes the position very strongly that we ought to move in the position of streamlining; and, indicating that he would oppose, as a matter of principle, cutting REA loose from the Department of Agriculture.

I could go into a discussion of the Humphrey-Price bill which seeks simply to return to the Administrator the loan-making authority which he had before it was usurped by the Secretary of Agriculture. That is the position that our people are taking. They are moving and I think unanimously around the country in that direction and are asking for the passage of that bill and not for the passage of S. 75.

Senator HOLLAND. When you say that bill, you mean S. 144.

Mr. ELLIS. Right.

Senator HOLLAND. I notice on your statement here, page 5, where you say:

There is plenty of evidence that the Benson action to subordinate the Administrator was taken in order to stop one major loan. This is being denied but the fact remains that even today, a year and a half later, the loan in question has not been made.

What loan is that?

Mr. ELLIS. That is the Indiana loan to the Hoosier Electric Generating Transmission Cooperative in Indiana.

Senator HOLLAND. In what amount is the application?

Mr. ELLIS. I think the amount is 40-some million dollars originally. I think the application is now being resubmitted or will be in a few days. Actually in a generation transmission loan the formal application is rarely formally submitted until they are ready to make it, because there continue to be changes, changes in the facts, even as the matter usually lingers over many months; particularly if it is contested.

In that case the Governor of Indiana sent his three-man commission down here to lobby against that loan, and they went first to the Secretary of Agriculture and pressured for the loan not to be made, and after that they went to the White House and insisted that the loan not be made.

The REA Administrator was called in and said, "If the loan application meets the criteria, the formula, I shall make the loan." And it was very shortly after that that the Administrator's right to make loans to new borrowers, and this would be a new borrower, and his right to make loans in amounts of above \$500,000—and most of our loans these days are above that amount in terms of volume, certainly—it was very shortly after that that the Administrator's authority to make such loans was taken away from him without clearance with a man who is not appointed by the President and not confirmed by the Senate in the Secretary's Office. That is what that statement referred to. The loan has not been made, by the way, and that was——

Senator HOLLAND. I believe you said that the application was being refiled in a different amount. Do you know the amount?

Mr. ELLIS. No, I do not. I think that is one of the things that they are trying to determine right now, and I talked with Frank Ratts yesterday, who is one of the leaders in the effort to get this loan application through, and he told me that they hoped to formally submit the final application and ask for approval within the next 30 days.

Senator HOLLAND. It is a generating station loan?

Mr. ELLIS. Yes. This was brought about by the fact that in Indiana the cooperatives were having great trouble getting wholesale power at any rates they could live with, and the power company—well, the State commission, without any notice to the cooperatives, both raised the rates to the co-ops—they had no hearing—and imposed a 250-kilowatt load limitation on the amount of power that a co-op could serve unless it charged the person to whom it provided the service the exact same amount which the co-op paid for the power and, of course, it did not do that.

It had line losses. Power would have to bear its proportionate part of the transmission and so forth, the overhead.

Senator HOLLAND. All right, sir; proceed.

Mr. ELLIS. There are three reasons I would like to list here why we think S. 75 should not become law. One of them is that we think this program will succeed only in the light of its historic past. The committees, both Agricultural Committees of the House and Senate and the Agricultural Appropriations Committees of the House and Senate, have been wrestling with this program a long time. There are men on those committees who have lived with the program during all the years of its existence, I believe. We think that to uproot it and throw us before other committees, fine as they are, would inevitably cause an upheaval in the program that we would not like to see, because it would take a long time to familiarize new committees with the legislative and other history of the rural electrification program.

Those are reasons 1 and 2 that I have listed here.

Senator HOLLAND. Reasons 1 and 2 on page 6?

Mr. ELLIS. Right.

Now, with regard to this legislative history, I have mentioned here some facts of life about the rural electrification program beginning on page 7 that I think you gentlemen are interested in.

One is the fact, as has been mentioned here, that the Congress said as it compromised this legislation into existence, we (the co-ops) have to stay out of the better part of the electric power industry market.

We are not quarreling about that. But Congress said that. It said we can't go into towns over 1,500.

And, secondly, Congress said that we could not even serve the better part of the rural market, that is those already served. That was usually the better part.

Then, thirdly, the Congress said, and this is awfully important in this whole consideration, that we shall serve everybody in our areas. This is the only time that we know of where, in the history of any company, a non-Government agency was required to serve everybody.

We believe that half the people we serve today do not pay their own way, which means that the other half have to more than pay their own way in the rural electrification program.

Then the Congress provided, and we don't quarrel with this; but, it is a fact of life which we all must keep in mind I think, that our people shall repay these REA loans. Now the power companies, as you all know, do not repay in this sense, they do not charge their customers for an amount to repay or pay off their indebtedness. They float their indebtedness and refloat it in perpetuity, whereas we must add on over and above the cost of service an amount that is roughly 15 to 20 percent, which we then take and pay over to Uncle Sam, to the Treasury, to pay off the loan, and this is an additional burden.

Fifth, the hazards of the rural areas—the hazards of serving in the rural area are greater; the hazards with respect to snow, sleet, wind, because of their type of construction, generally are greater than in the city and this constitutes another burden.

Again, about 85 percent of the systems are at the mercy of somebody else for their power supply and this constitutes a burden.

Sixth, in many States we are not franchised; or, if we are we are franchised subject only to the franchises of other systems, other power suppliers. In any case, we were not there first and the franchise situation usually works against us and not for us.

Seventh, in most States the legal situation, our economic disadvantages, and the bias of regulatory commissions encourage the power companies to raid our territory and take our larger users, while we are prohibited legally from doing the same to them, even if we could do it otherwise.

Eighth, because we apparently must be nonprofit in order to exist at all; the profit is not there. I am convinced that the power companies, even today, could not serve most of rural America under their present setups because it would tend to dilute the profits which they make and would cause them to subsidize the rural areas, and some of the power company men have so stated, with their city loads.

Because of all of these situations we don't have favorable diversity in our systems, nor favorable load factors and this constitutes a still further burden. We don't have the necessary funds for experimentation to try out many new things that we think could be tried if we only had the funds. But we don't have them for experimentation. Then too, since our load, in use of power, is doubling every 5 to 7 years, we are confronted, of course, with the constant problem of growth, and therefore we have to bear the burden of coming back to Congress all of the time and convincing Congress that we need these new funds, and apparently at the same time trying to protect the act itself.

Now here is evidence that I think you are interested in; of the fact that we are having these struggles. The REA Administrator speaking the other day before our national meeting said that our systems have accumulated about 16 percent equity.

Well, now, here we have been operating not on the average but altogether some 23 or 24 years and still have only 16 percent equity. But here is the most significant fact. The REA Administration's figures, and it carries on constant studies in this area, show that 166 systems last year failed to make debt service. This doesn't mean they didn't pay off their loans. They are paying off their loans. But it does mean that they did not at the same time accumulate and set aside certain funds for reserves as REA asked them to do and as some State commissions I believe require them to do.

The year before that figure was 141 systems. More systems last year failed to make debt service than the year before, and the year before that it was 158 systems.

The trend is not good.

Senator SCHOEPEL. Mr. Ellis, I would like to ask you, has that been related to any particular area in the country or is that just practically through your entire rural electrification area?

Mr. ELLIS. It is pretty consistently general, Senator.

Gentlemen, I will hurry here. We think this Ripper provision is bad.

Senator HOLLAND. There is an amendment to take that out, isn't there?

Mr. ELLIS. No.

Senator HOLLAND. Your brief so states.

Mr. ELLIS. It takes it out only as to the Administrator.

Mr. DELL. There are two sections in the bill. One on which there is an amendment offered to leave the Administrator, whoever he may be, in office at the time. If this bill were passed, that would become law. There is an amendment to do that. On the other section, which is section 3-A, and we quote it in this testimony, there is no amendment on it.

Senator HOLLAND. You want the same type of action taken as to the employees in the lower echelons as well as the top level.

Mr. DELL. If this bill were to be passed, yes.

Senator HOLLAND. I think we understand that, and I can see a reason for it. All right, sir, go ahead.

Mr. ELLIS. That concludes my statement.

Senator HOLLAND. Thank you very much, sir. Senator Schoeppel.

Senator SCHOEPPEL. I have no further questions.

(The prepared statement of Mr. Ellis is as follows:)

Now, I would like to devote a few remarks to S. 75.

I must admit that the idea of REA as a separate and independent agency has had strong appeal for me throughout the history of the rural electrification program. It started that way. It worked best that way. And I have said so on many occasions.

However, as a Member of Congress in 1939 when the question of making REA an agency of the Department of Agriculture came before the House in the form of the Reorganization Plan of 1939, I voted for the plan because I was persuaded that it was possible to achieve streamlined governmental administration while retaining for the REA Administrator a freedom of action on REA loans to assure a dynamic program; and I was persuaded of the necessity of having fewer independent agencies reporting directly to the President but through Cabinet positions.

The record through the next decade and a half demonstrated that REA could retain semiautonomous and dynamic administration. It was only when Secretary Benson sought to personally exercise the REA loan-making responsibilities that trouble developed. It then became obvious that something had to be done to correct this dangerous situation or the program will be seriously crippled.

The question is how this correction can be best achieved. In an effort to obtain a sound answer to this question, the rural electric leaders throughout the country during the last year and a half have discussed the issue up and down. We have also discussed it thoroughly with many Members of Congress.

The conclusion we came to is this: That we should seek to restore to the REA Administrator the power and responsibility that worked so successfully up to the time Secretary Benson interfered with it. Consequently, in response to resolutions passed by our rural electric people at their various regional meetings in the fall of 1957, Senator Humphrey and Congressman Price introduced a bill in each House designed to restore to the Administrator the powers and responsibilities he had been exercising up to midsummer 1957.

Last summer, as you may recall, extensive hearings were held on these bills. Twenty-five representatives of the electric cooperatives from various sections of the country came and testified in support of the bills. Nearly 100 others who did not testify came anyway to the hearings to demonstrate their concern. Congress adjourned, however, before the bills reached the floor of either House.

Then at their regional meetings last fall, again, the rural electric systems once more expressed their views on this mode of correcting the Benson problem. Every region passed resolutions specifically in support of the Humphrey-Price bill. These actions were then followed up with unanimous vote of the delegates at our national annual meeting held here less than a month ago.

At this point I should like to insert in the record as part of my testimony the resolutions I have referred to.

I can say that, in the discussions of what to do to curb Secretary Benson's domination over the REA Administrator, the idea of the separate and independent agency was seriously considered. However, it was the judgment of

the vast majority that the more moderate approach of the Humphrey-Price bill offered the REA program greater advantages for the long run than complete separation from the Department of Agriculture.

I would like to discuss some of these pros and cons:

The best thing that can be said for S. 75 is that it would get REA out from under Secretary Benson's domination. And this is a most alluring prospect. Secretary Benson, unlike his predecessors, has moved in on the Administrator's loan-making powers. As you know, for the last year and a half Administrator Hamil has not been allowed to make any major loans without first getting the green light from Secretary Benson's office.

This secretarial intrusion into the loan-making process at REA has alarmed our people—not so much because of what has happened to date as what can happen if this veto authority is not terminated.

There is plenty of evidence that the Benson action to subordinate the Administrator was taken in order to stop one major loan. This is being denied, but the fact remains that even today, a year and a half later, the loan in question has not been made.

But once again I should emphasize that it is fear of the future that concerns the rural electric people. I am impressed that this fear should now also concern Members of Congress on both sides of the aisle, as is evidenced by introduction of S. 75.

However, I am convinced that S. 75 goes too far. In my opinion it is much too strong medicine for what ails the patient. We stand in real danger of curing the Benson trouble while ultimately killing REA.

Here are three reasons why I think this is so:

Reason No. 1.—REA cannot afford to be cut off from its farm and rural orientation. REA is not just another power program. REA is a power program dedicated to service to farmers and rural people. Since before Pearl Harbor, association with the U.S. Department of Agriculture has helped REA emphasize this part of its service. I am convinced REA is stronger because of it. I am convinced the program has accomplished more because of it. I am convinced REA's vitality would soon begin to wither if this association were cut off.

The question we must ask is this: Do we want REA as strictly a power program? or do we want the kind of REA we have had? I believe it is the latter that farmers and rural people need and want.

Despite Secretary Benson's interference with the REA Administrator's loan-making authority, the U.S. Department of Agriculture association has been good for REA even during Benson's reign. The fine brief that the Department's Office of the General Counsel prepared in protest to the Comptroller General's ruling on REA last summer is an excellent case in point. Without this help, REA fieldmen might very well be out right now trying to force rural electrics to refund loans made during the last several years.

REA has benefited by being in the Department of Agriculture. The solution to our Benson problem is not to ruin a valuable association but rather to curb Mr. Benson.

Reason No. 2.—REA critically needs the sympathetic and understanding help of the legislative and appropriations committees here in the Congress that have guided the program to its great achievements.

This is in no sense finding fault with other committees in either House or the Senate. The fact remains, however, that for 20 years REA has been under the jurisdiction of the Agriculture Committees in both the House and the Senate and under the jurisdiction of the Agriculture Subcommittees of the Appropriations Committees in both the House and the Senate. And this has been of great benefit to the program.

The REA is a complex program, one that, as I have mentioned affects intimately the lives and well-being of farm and rural people and their families. This program can be understood only in the terms of that background and in the terms of the peculiar problems characteristic of REA. Let me illustrate:

First, the program operates under a special prohibition, set forth in the law, that bars our systems from going into the thickly settled villages and towns of over 1,500 population. Thus, we are kept by law from serving any of the most profitable part of the power industry market.

Second, the program operates under another special prohibition, also set forth in the law, that bars our systems from serving what is usually the best of the rural power market. We are prohibited from serving anyone already served even where we could do it more economically than anyone else.

Third, the program operates under a special requirement that we serve all the unserved in our areas, whether they pay their own way or not. And many of them don't, at present levels of consumption. This requirement of Congress was a social decision, not an economic decision, and underscores why the REA program must have the sympathetic understanding of committees who constantly deal with the needs of farmers and rural people.

Fourth, the act requires repayment of REA loans—plus interest. This we are happy to do, but the only way we can do it is to add onto the consumer-members' power bills proportionate amounts to equal the required repayment to Uncle Sam. This constitutes an extreme burden because, by comparison, the power companies never liquidate their indebtedness but continue to float it in perpetuity.

Fifth, our rural construction is more exposed to the hazards of the elements than city construction.

Sixth, about 85 percent of our systems still don't have their own complete source of power supply and nearly 50 percent of them are at the mercy of usually one, often unfriendly, source. There is no open market in wholesale power from which we can purchase our supply.

Seventh, in most States the legal situation, our economic disadvantages, and the bias of regulatory commissions encourage the power companies to raid our territory and take our larger users, while we are prohibited legally from doing the same to them, even if we could do it otherwise.

Eighth, because we must be co-ops or public power districts—whose incentive is service, not profit—we apparently must stay small by comparison with the ever-merging profit company giants.

Ninth, because of our small size, our comparatively low average use, and our predominantly rural character, we have neither a favorable diversity of electric use nor a relatively good load factor.

Tenth, and because of both our small size and our other economic disadvantages, we don't have the necessary funds for experimentation, research and studies which might help us to more efficiently overcome these handicaps—or even to stand off the mass propaganda and lobbying campaigns of our opponents while we solve our other problems.

Eleventh, we are confronted by the challenge of an ever-growing demand for power from the farmers and rural people who are the consumers. The use of power is doubling every 5 to 7 years. This is tremendous—even for the fast-growing electric industry.

Those are some of the characteristics of the REA program that make it a complex program. I am not saying that other committees could not become as understanding of these problems as your own committee, for example. What I am saying is that the agriculture committees have spent 20 years with these problems and I believe most firmly that the REA program will suffer if a change is made.

Reason No. 3.—Rural electric members, directors and managers are concerned with maintaining the principle of streamlined governmental administration. Like all citizens who think seriously about the future welfare of our country, they understand and support the need for sound and efficient administration of the huge governmental machinery.

Students of government administration tell us that it is desirable to hold to the minimum the number of agency heads reporting directly to the President. They point out the desirability of having various agencies maintain their line of business with the President through the Cabinet level.

This is the way it has been for REA since 1939. And as I mentioned at the start of this statement, it worked well until Secretary Benson began to interfere with responsibilities that practice had demonstrated were best held in the hands of the Administrator. Consequently, it seems to us that the answer is to correct the relationship between the Secretary and REA, rather than to create another separate and independent agency that will then have to make its way in the confusing network of bureaus, agencies and departments that are competing for the President's attention.

Many Members of Congress have told us bluntly that they are not in favor of creating additional independent agencies. They have told us that this includes REA. It would be a mistake, they say, to set up REA as a separate agency. No doubt these Members will express themselves in their own way on this issue as it is dealt with in the Congress, but I mention the point only be-

cause their expressions on how to achieve the most effective type of Government administration have been one influencing factor on the stand we have taken on S. 75.

RIPPER PROVISION

Aside from the principle of Government administration involved, however, there is a specific provision in S. 75 that makes it wholly unacceptable and we would have to oppose it most vigorously on this account alone. This is section 2 and section 3(a) of the bill as originally introduced. These provisions might very well be known as the "ripper provisions" because they would have the effect of ripping out of REA any employee the Administration did not want for any reason.

The possible drastic effects of section 2 have been noted by Senator Curtis, Mundt, and Allott because they have introduced an amendment to S. 75 saving the Administrator from the ripper provision.

But the rank and file of REA employees are still exposed.

Section 3(a) reads as follows:

"Employees in the Department of Agriculture who are being utilized on the effective date of this act primarily for the performance of functions, powers, and duties provided for in the Rural Electrification Act of 1936, as amended, shall be transferred to the jurisdiction and control of the Rural Electrification Administration in those instances in which the Administrator determines that *they are qualified and necessary* to carry out the functions, powers, and duties of the Rural Electrification Administration." [Italic supplied.]

This is the first time that I can recall where the civil service has been suspended and the fate of Government employees turned over to one man.

How much chance do you think there would be for an employee who has refused to lobby for the Benson REA proposals?

Or an employee who has been unable to subscribe, with sufficient enthusiasm, to the Eisenhower power policies?

Or an employee who may have spoken his convictions more earnestly than pleased front-office sensitivities?

REA, over the years, has had a dedicated crew of employees. Their drive, know-how and enthusiasm to serve rural America have contributed tremendously to the success of the REA program. The vision exhibited by REA employees was instrumental in getting the program started. Their dynamic character was important in overcoming the many obstacles that had held back rural electrification. Their skill has helped make the program a model of fiscal soundness. We must not let anybody chop the heads off people like that in this program or in any other.

Politics has been strictly forbidden in the selection and promotion of this staff. Congress wrote these restrictions right into the REA Act. The REA law goes much farther and is more specific than is the case with most other governmental programs. It would be a severe blow to this high standard to undercut it now by imposing the section 3(a) ripper provision.

For all these reasons we must oppose S. 75 as not being good for REA. We sincerely urge you to oppose it also and lend your support to S. 144, a more moderate and more effective measure to accomplish what all of us are seeking to do and that is to restore to the REA Administrator the full loan-making authority that Congress intended him to have.

Mr. Chairman, I want to express my thanks and appreciation to you and to the members of this committee for arranging this opportunity for me to testify.

Senator HOLLAND. Are there further witnesses? Except for previously mentioned reservations of the right to file statements and for another request that I have just received from Senator Curtis to file a supplementary statement, which is granted without objection from the committee, the hearing is closed, reserving, however, if it is agreeable to other members of the committee, the right of other Senators who wish to file statements to do so under the conditions that if they wish to do so, they do it by Tuesday of next week.

(Whereupon, at 1 p.m., the hearing was concluded.)

LEGISLATIVE HISTORY

S. 144
(Vetoed)

TABLE OF CONTENTS

INDEX AND SUMMARY OF S. 144

- Jan. 7, 1959 Rep. Price introduced H. R. 1321 which was referred to the House Government Operations Committee. Print of bill as introduced.
- Jan. 9, 1959 Sen. Humphrey and others introduced, and Sen. Humphrey discussed, S. 144 which was referred to the Senate Government Operations Committee. Print of bill as introduced and remarks of Sen. Humphrey.
- Feb. 25, 1959 Senate subcommittee ordered S. 144 reported.
- Mar. 18, 1959 House committee ordered H. R. 1321 reported.
- Mar. 20, 1959 House committee reported H. R. 1321 with amendments. H. Report No. 235. Print of bill and report.
- Senate committee ordered reported S. 144 with an amendment in the nature of a substitute.
- Mar. 24, 1959 Senate committee reported S. 144 with amendments. S. Rept. No. 142. Print of bill and report.
- Mar. 26, 1959 Digest of H. R. 1321 as reported by the House Committee.
- Mar. 27, 1959 Digest of S. 144 as reported by the Senate committee.
- Apr. 7, 1959 Senate began debate on S. 144.
- Apr. 8, 1959 Senate passed S. 144 as reported.
- Apr. 13, 1959 House Rules Committee reported resolution for consideration of H. R. 1321. H. Res. 236, H. Rept. No. 266. Print of resolution and report.
- Apr. 14, 1959 House began debate on H. R. 1321.
- Apr. 15, 1959 House passed H. R. 1321 as reported. The passage of H. R. 1321 was subsequently vacated and the bill tabled, after which S. 144, was passed in lieu of H. R. 1321 without amendment.
- Apr. 27, 1959 Senate received President's veto message on S. 144. S. Doc. 25. Print of document.

INDEX AND SUMMARY OF S. 144, Cont'd:

- Apr. 28, 1959 Senate overrode President's veto of S. 144.
- Apr. 29, 1959 House received President's veto message on S. 144.
- Apr. 30, 1959 House sustained President's veto of S. 144.

Hearings:

- S. Res. 21 - Rural Electrification Loans - S. Agriculture and Forestry Committee - March 5 and 6, 1959.
- S. 75, Rural Electrification Administration - S. Agriculture and Forestry Committee - March 5 and 6, 1959. (Includes S. 144).
- H. R. 1321, 3029, 3192, 4662, 5746, 5688, and 5853 - Modifying Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953 (Rural Electrification Administration) - H. Government Operations Committee - March 6, 1959.

1. 1172

DIGEST OF S. 144 (Vetoed)

TRANSFER OF REA FUNCTIONS. S. 144, which would have provided that the functions and activities of REA and of the Administrator of REA which were transferred to the Department and to the Secretary by Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953, are transferred to the REA Administrator, to be exercised and administered within the Department by the Administrator under the general direction and supervision of the Secretary, except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator would not be subject to the supervision or direction of, or to any other control by, the Secretary.

86TH CONGRESS
1ST SESSION

H. R. 1321

IN THE HOUSE OF REPRESENTATIVES

JANUARY 7, 1959

MR. PRICE introduced the following bill; which was referred to the Committee on Government Operations

A BILL

To amend Reorganization Plan Numbered 2 of 1953.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 1 of Reorganization Plan Numbered 2 of 1953
4 shall not hereafter apply to the Rural Electrification Admin-
5 istration, and there are hereby transferred to the Adminis-
6 trator of the Rural Electrification Administration all func-
7 tions which were transferred from the Administrator to the
8 Secretary of Agriculture by such reorganization plan; and
9 notwithstanding the provisions of section 5 of Reorganization
10 Plan Numbered 2 of 1939, or the provisions of any other
11 law, any action of the Administrator of the Rural Electrifica-

tion Administration with respect to the approval or denial
of loans authorized to be made under the provisions of the
Rural Electrification Act of 1936, as amended, shall be the
sole responsibility of the Administrator.

80TH CONGRESS
1ST Session

H. R. 1321

A BILL

To amend Reorganization Plan Numbered 2
of 1953.

By Mr. PRICE

JANUARY 7, 1959

Referred to the Committee on Government Operations

IN THE SENATE OF THE UNITED STATES

JANUARY 9 (legislative day, JANUARY 8), 1959

Mr. HUMPHREY (for himself, Mr. MANSFIELD, Mr. HENNINGS, Mr. MAGNUSON, Mr. YARBOROUGH, Mr. JOINSTON of South Carolina, Mr. HILL, Mr. LANGER, Mr. MURRAY, Mr. HARTKE, Mr. JACKSON, Mr. KERR, Mr. PROXMIRE, Mr. MORSE, Mr. KEFAUVER, Mr. THURMOND, Mr. JORDAN, Mr. KENNEDY, Mr. FULBRIGHT, Mr. YOUNG of North Dakota, Mr. SPARKMAN, Mr. CARROLL, and Mr. O'MAHONEY) introduced the following bill; which was read twice and referred to the Committee on Government Operations

A BILL

To amend Reorganization Plan Numbered 2 of 1953.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 1 of Reorganization Plan Numbered 2 of 1953
4 shall not hereafter apply to the Rural Electrification Admin-
5 istration, and there are hereby transferred to the Adminis-
6 trator of the Rural Electrification Administration all func-
7 tions which were transferred from the Administrator to the
8 Secretary of Agriculture by such reorganization plan; and
9 notwithstanding the provisions of section 5 of Reorganization
10 Plan Numbered 2 of 1939, or the provisions of any other
11 law, any action of the Administrator of the Rural Electrifica-
12 tion Administration with respect to the approval or denial

A BILL

To amend Reorganization Plan Numbered 2
of 1953.

By Mr. HUGHES, Mr. MANSFIELD, Mr. HEN-
RINGS, Mr. MAGNISON, Mr. YARBOROUGH,
Mr. JOHNSTON of South Carolina, Mr. HILL,
Mr. LANGER, Mr. MURRAY, Mr. HARTKE, Mr.
JACKSON, Mr. KERR, Mr. PROXMIRE, Mr.
MORSE, Mr. KEFAUVER, Mr. THURMOND, Mr.
JORDAN, Mr. KENNEDY, Mr. FULLERIGHT, Mr.
YOUNG of North Dakota, Mr. SPARKMAN, Mr.
CARROLL, and Mr. O'MAHONEY

JANUARY 9 (legislative day, JANUARY 8), 1959

Read twice and referred to the Committee on
Government Operations

- 1 of loans authorized to be made under the provisions of the
- 2 Rural Electrification Act of 1936, as amended, shall be the
- 3 sole responsibility of the Administrator.

themselves have reached, shall become binding upon and shall control the relationship between the parties from the date of such filing until the expiration of 1 year from such date, but such award may be changed by mutual consent or agreement of the parties.

"(4) Either party to the dispute may, within 15 days from the date the award is filed as provided in subparagraph (f) of this paragraph 3 of section 7 of this act (45 U.S.C. 157, 3(f)), petition the United States district court for the district in which such award was so filed for a review of such award on the ground (A) that the parties were not given reasonable opportunity to be heard, (B) that the board of arbitration exceeded its powers, (C) that the award is unreasonable in that it is not supported by the evidence, or (D) that the award was procured by fraud, collusion, or other unlawful means or methods. Such court, without the intervention of a jury, shall hear the evidence adduced by the parties with respect to the issue raised by the petition and may reverse the award only if it finds that (i) one of the parties was not given reasonable opportunity to be heard, (ii) that the board of arbitration exceeded its powers, (iii) that the order is unreasonable in that it is not supported by the evidence, or (iv) that the order was procured by fraud, collusion, or other unlawful means or methods. The decision of the district court shall be final unless within 10 days either party shall apply to the appropriate United States court of appeals for a review of such decision. If the district court reverses the award for one of the reasons stated in this paragraph and no appeal is taken or the reversal of such award is affirmed on appeal, or if an order of the district court affirming an award is reversed on appeal, the Mediation Board shall promptly notify the President. Upon such notification the President may reconvene the board of arbitration or may appoint a new board of arbitration and such reconvened or newly appointed board of arbitration shall proceed to take such action as may be required by the court's decision.

"(5) It shall be unlawful during any period beginning with the date of issuance of an order by the President under paragraph (1) of this subsection and ending on the date on which an award of a board of arbitration under this subsection ceases to be in effect—

"(A) For any carrier which is a party to a dispute with respect to which an order was issued under paragraph (1) of this subsection to engage in a lockout;

"(B) For employees of such carrier to engage in a strike or other concerted stoppage of work;

"(C) For any labor organization representing the employees of such carrier to engage, or encourage such employees to engage, in any strike or other concerted stoppage of work;

"(D) For any carrier, labor organization, or individual to willfully fail or refuse to carry out any duty imposed by an award of a board of arbitration under this subsection; or

"(E) For either party to the dispute to make any change in the conditions out of which the dispute arose except as provided in the award or agreed upon by both such parties.

"(6) Whoever violates the provisions of paragraph (5) shall be guilty of a misdemeanor and shall be punished by a fine of not more than \$1,000 or by imprisonment for not more than 1 year, or both.

"(7) In any case in which, during any period beginning with the date of issuance of an order by the President under paragraph (1) of this subsection and ending on the date on which an award of a board of arbitration under this subsection ceases to be in effect, a carrier which is a party to the dispute with respect to which such order

was issued engages in any lock-out, or a labor organization which is a party to such dispute orders or encourages the employees of such carrier to engage in a strike or other concerted stoppage of work, or a substantial number of the members of such labor organization engage in any concerted or simultaneous action, which results in an interruption in or suspension of the operation of such carrier, such carrier or labor organization, as the case may be, shall be subject to a penalty of not to exceed \$10,000 for each day that such interruption or suspension continues, which penalty shall be recoverable in a civil suit brought by the United States for that purpose.

"(8) Any person adversely affected by reason of any violation of the provisions of this subsection may file an action in the United States district court for the district in which such violation occurred to restrain and enjoin such violation and to compel the performance of the duties imposed by this subsection. The provisions of section 6 and 20 of the act entitled 'An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes', approved October 15, 1914, as amended (15 U.S.C. 17; 29 U.S.C. 52), and the provisions of the act entitled 'An Act to amend the Judicial Code and to define and limit the jurisdiction of courts sitting in equity, and for other purposes', approved March 23, 1932 (29 U.S.C. 101 et seq.), shall not be applicable to proceedings commenced under this paragraph."

PROPOSED LEGISLATION RELATING TO HATE BOMBINGS, AND SO FORTH

Mr. JAVITS. Mr. President, my colleague, the junior Senator from New York [Mr. KEATING] has today introduced a bill to prohibit certain acts involving the importation, transportation, possession or use of explosives in interstate commerce, the so-called antibombing bill, with 14 sponsors. I am today introducing six other bills, which represent the antihate bombing package of the junior Senator from New York [Mr. KEATING] and myself, generally directed to the same subject.

Mr. President, I have the honor to announce as co-sponsors, in addition to the two Senators from New York, on the first bill, the bill introduced by my colleague [Mr. KEATING], Mr. ALLOTT, Mr. BEALL, Mr. BENNETT, Mr. COOPER, Mr. KUCHEL, Mr. LANGER, Mr. MARTIN, Mr. SCOTT, Mr. BRIDGES, Mr. CASE of New Jersey, Mr. PROUTY, and Mrs. SMITH.

I have the honor to announce, as to the other six bills, the cosponsorship of the following Senators: Mr. ALLOTT, Mr. BEALL, Mr. BENNETT, Mr. COOPER, Mr. KUCHEL, Mr. LANGER, and Mr. MARTIN.

Mr. President, the genesis of these measures arises from the shocking bombings—shocking alike to men and women in every section of the country—of schools, places of worship without regard to faith, homes and business places, so connected with the tensions arising from efforts at desegregation in a number of our Southern States.

Following the congressional campaign of 1958 the junior Senator from New York [Mr. KEATING] and I made a trip to three major cities: Jacksonville, Atlanta, and Birmingham. These are cities where such outrages had occurred. I am very proud to state that we found

the greatest feeling of resentment and outrage on the part of all citizens, as well as officialdom. We did our best to come modestly and learn all we could. Having advised our colleagues from those States in advance that we were coming, we were received very graciously by the local municipal officials and had an opportunity to learn something about the situation right on the ground. Unfortunately in one place there was the experience, which we deprecated, of a meeting which did not have any participation of Negro leadership, but we did our best to repair that by interviewing some of the Negro leaders ourselves.

Mr. President, in respect to the introduction of this proposed legislation, I describe it as the following seven proposals:

A bill to make interstate transportation of explosives a crime when the intent is to damage or destroy any building for the purpose of interfering with its use or to intimidate any person.

That is the bill introduced by the junior Senator from New York [Mr. KEATING] with 13 additional sponsors. The next six bills are introduced by me, and in each case the junior Senator from New York [Mr. KEATING] is a cosponsor, with seven additional Senators as co-sponsors, for a total of nine Senators in sponsorship. The bills relate to the following:

An amendment to the fugitive felon statute, 18 U.S.C. 1073, which forbids travel across State lines to avoid prosecution or imprisonment, to include among the crimes of violence listed the "willful destruction of any building or structure."

A bill to extend to Federal officials protection against threats and violence.

A bill to ban from the mails material tending to incite specific acts of violence such as murder, arson, assault, rape and willful destruction of any building or structure, etc., listed in the fugitive felon statute, as amended.

An amendment to the postal laws, 39 U.S.C. 259, to give the Postmaster General the authority to enforce provisions banning such mail.

An amendment to the interstate threats statute, 18 U.S.C. 875, to ban such threats where their purpose is to interfere with Federal or State laws or decrees.

A similar amendment to the mail threats statute, 18 U.S.C. 876, to bar such threats.

Hate mail has become an increasingly serious problem. The Post Office Department reports that complaints about it quadrupled in 1958. Officers who arrested the Atlanta Temple bombing suspects reported finding large supplies of anti-Semitic and anti-Negro literature in their homes. Mass mailings of this kind of material which tries to exploit bigotry, lawlessness and discrimination have reportedly closely preceded some of the recent bombings.

It is becoming increasingly difficult to separate the propaganda of hate from the actual terror, the bombings and the threats to determine which comes first.

There is no doubt in our minds that the average citizen in the South is as deeply shocked and outraged by the

nearly 70 bombings and attempted bombings reported since 1954, including 27 incidents last year, as is the Nation as a whole. We found considerable support among southern officials for a law such as we now propose to give the FBI concurrent jurisdiction in hate bombing cases so that it can act immediately, just as it does now in kidnappings as authorized by the Lindbergh Act.

Although law enforcement officials in these southern communities told us they were doing their utmost to catch the hate bombers, many of them emphasized that lack of jurisdiction and resources severely limit their ability to track down and bring to justice what their evidence indicates is probably a well organized gang (or gangs) of hate terrorists operating in several States. Florida officials in particular forecast that a Federal antibombings statute would not be the signal for the slackening off in local police efforts but would instead initiate the kind of coordinated action by Federal, State and city authorities most apt to result in the most effective police work.

In the one instance where the FBI did move in at once, after the bombing of a Temple in Atlanta last October, a group of suspects were speedily rounded up and indicted for the crime.

Seldom have we—speaking for Senator KEATING and myself—examined an emergency situation which so urgently requires Federal legislation to help remedy it. Local law enforcement agencies have for the most part been unable to apprehend or convict the hate bombers or check the flood of hate mail inciting to violence which together have created a climate of severe tension in certain southern communities.

The dimensions of the damage wrought by the dynamiting of private homes, schools, houses of worship, community centers and places of business in several States take us beyond an obvious attempt at mass intimidation of minority groups. The terrorists responsible are assaulting a doctrine essential to the preservation of our democratic society, the maintenance of law and order to which the overwhelming majority of Americans, regardless of individual differences on civil rights, are genuinely devoted.

I close with the statement that we believe that the comprehensive legislation we are introducing in cosponsorship with so many Senate colleagues will help to more effectively curb the activities of fanatics and racists trying to establish a reign of terror, particularly in communities where official resistance to court orders on desegregation of the public schools tend to invite other acts of lawlessness. In our opinion, our group of seven bills will achieve that objective without infringing upon our traditional freedoms of speech and press or the essential responsibilities and jurisdiction of local law enforcement officials.

The PRESIDENT pro tempore. The bills will be received and appropriately referred.

The bills, introduced by Mr. JAVITS (for himself and other Senators), were received, read twice by their titles, and referred, as indicated:

To the Committee on the Judiciary:

S. 120. A bill to make unlawful the transmission in interstate commerce of certain communications with intent to interfere with the execution of Federal or State statutes or court decrees;

S. 121. A bill to make unlawful the mailing of threatening communications with intent to interfere with the execution of Federal or State statutes or court decrees;

S. 122. A bill to make unlawful mailing of matter tending to incite crimes of violence;

S. 123. A bill to amend title 18 of the U.S. Code relating to threats or injury to Federal officers in the discharge of their duties; and

S. 124. A bill to make unlawful interstate travel to avoid prosecution for willful destruction or damaging of any building.

To the Committee on Post Office and Civil Service:

S. 125. A bill to authorize the exclusion from the mails of matter relating to the solicitation of funds for, and the distribution of information relating to certain unlawful activities.

OLD-AGE AND SURVIVORS INSURANCE BENEFITS—INCREASE OF EXEMPTIONS FOR INCOME TAX PURPOSES

Mr. LANGER. Mr. President, I introduce, for appropriate reference, two bills. The first bill would permit all citizens to receive at least minimum old-age and survivors insurance benefits. The second bill would enable all citizens an increase in individual exemptions for income tax purposes.

From time to time, I shall introduce new bills as well as reintroduce other bills into the Senate which were introduced by me in the 85th Congress but which were not enacted into law. It is my hope that the 86th Congress will look favorably upon these bills which benefit many people throughout the country.

The PRESIDENT pro tempore. The bills will be received and appropriately referred.

The bills, introduced by Mr. LANGER, were received, read twice by their titles, and referred to the Committee on Finance, as follows:

S. 126. A bill to amend title II of the Social Security Act to permit all citizens of the United States to receive at least minimum old-age and survivors insurance benefits; and

S. 127. A bill to amend the Internal Revenue Code so as to increase the individual exemption for income tax purposes from \$600 to \$1,000.

AMENDMENT OF REORGANIZATION PLAN NO. 2 OF 1953

Mr. HUMPHREY. Mr. President, on behalf of myself, and the Senator from Montana [Mr. MANSFIELD], I introduce, for appropriate reference, a bill to amend Reorganization Plan No. 2 of 1953. I ask unanimous consent that this bill lie over on the desk until the close of business on Monday, January 12, in order to permit the addition of names of other cosponsors.

The PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill will lie on the desk, as requested by the Senator from Minnesota.

The bill (S. 144) to amend Reorganization Plan No. 2 of 1953, introduced by Mr. HUMPHREY (for himself and Mr. MANSFIELD), was received, read twice by its title, and referred to the Committee on Government Operations.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that an explanatory statement of the bill, prepared by me, may be printed in the RECORD.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The explanatory statement presented by Mr. HUMPHREY is as follows:

STATEMENT BY SENATOR HUMPHREY

I am introducing on behalf of myself and Senator MANSFIELD, for appropriate reference, a bill to amend the Reorganization Plan No. 2 of 1953 so that hereafter section 1 of the plan will no longer apply to the Rural Electrification Administration. The bill also specifies that the approval or denial of REA loans will be the sole responsibility of the REA Administrator, regardless of the provisions of any other law.

The bill provides for the transfer to the Administrator of REA all functions which were transferred from the Administrator to the Secretary of Agriculture under Reorganization Plan No. 2 or any other reorganization plan or law.

Many of the Senators will remember that I introduced a similar bill in the last Congress. Extensive hearings were held on it by the Subcommittee on Reorganization of the Committee on Government Operations. No formal action was taken, but the hearings convinced me, and I believe a number of other Senators, that this legislation is vital to the continued stability and progress of the rural electrification program.

I think the hearings clearly proved that the Secretary of Agriculture has reduced the REA Administrator to nothing more than a good will ambassador. The REA Administrator can no longer make important loans on his own initiative; before he can sign a loan for more than \$500,000 he has to send it over to the Secretary's office for review.

The making of loans is supposed to be the major duty of the REA Administrator. That is why his position exists—why REA itself exists. Loans are supposed to be made if they come within the law and if they meet REA's standards of feasibility. Certainly they are not supposed to be influenced in any way by political considerations.

Congress made sure of this, or thought it did, when REA was established. The REA Administrator is appointed for a 10-year term. He must be confirmed by the U.S. Senate. The law throws what should be a cloak of political immunity around him, so that he will not be tempted to let political philosophies influence his decisions on loan applications.

Under this concept, the rural electrification program has been an enormous success. Today, more than 95 percent of our rural homes and institutions have been electrified. I know of no other Government program that has done so much good for so many people. I know of no other lending program, public or private, that can match the fantastic repayment record of the REA borrowers.

A shadow has fallen on this great program. The REA Administrator is no longer his own man. He no longer can judge an important loan application on its merits and make the loan himself if it should be made.

We discovered in 1957 that the REA Administrator had been ordered to check loans of more than \$500,000 with Kenneth Scott, Director of Agricultural Credit Services. Mr. Scott is appointed by the Secretary of Agriculture. He has no fixed tenure, and he is not confirmed by the Senate.

I submit that there can only be one reason for having loans reviewed in the Secretary's office. They are sent there to pass some sort of political or philosophical test. There is just no other explanation.

The only loans which go to Mr. Scott are those which the professional staff at REA have thoroughly checked and approved. They are the loans which the Administrator would be expected to sign. They have been approved by the legal division, the engineering division, and all the others that are involved in the loan procedure. They are certified to be within the law and to be feasible.

Why should some top political figure in the Department of Agriculture review such loans? Why should he pass on them? If he makes a thorough technical review, then I submit it is the clearest example of government waste and duplicity I have ever come across.

But he does not make a technical review. He checks to see whether the loans fit the philosophy of the administration. There is no other answer, and I think that practice poses a real threat to the rural electrification program. I would think the same thing if we had a Democratic administration or any other kind of administration.

I am not saying that this practice has resulted in any great abuses to date. My point is that as a matter of principle the decision on REA loans should be made by the Administrator who by law is free from political pressure and philosophy.

Reorganization Plan No. 2 gave the Secretary of Agriculture broad powers to redistribute the functions of the agencies in the Department. Secretary Benson told our subcommittee at the time we were considering this plan that he would make no major changes without consulting the Congress and interested individuals and associations. He told us this repeatedly, and on these assurances, we gave our approval to the plan. But he did not carry out this pledge when he took away the major loanmaking authority of the REA Administrator—and if that action was not a major change then I don't know that a major change would be.

This bill is designed to restore the full loanmaking authority of the REA Administrator. It makes sure that the Administrator, and he alone, has final authority for making or rejecting an individual loan. The bill does not take REA out of the Department of Agriculture. It does not make REA an independent agency. The Department of Agriculture will still have full policy control over REA, but not over individual loans.

I think the record will show that I have consistently supported reorganization proposals in the past, under this administration and the one which preceded it. When we received the assurances of Secretary Benson, I supported Reorganization Plan No. 2 of 1953.

Since those assurances were not carried out I feel no obligation to continue to support that plan insofar as it applies to REA.

This proposed legislation has the enthusiastic support of rural electric people throughout the country. It was unanimously approved by the 6,000 people who attended the annual meeting of the National Rural Electric Cooperative Association last year. Last fall, after the 85th Congress had adjourned, all 10 of the regional meetings

of NRECA unanimously passed resolutions to support this legislation in this Congress.

Mr. HUMPHREY. I ask unanimous consent that a resolution adopted at the region VI meeting in Bismarck, S. Dak., on October 28, 1958, may be printed in the RECORD and appropriately referred.

I also ask unanimous consent that this bill lie on the desk until the close of business on Monday, January 12, in order to permit the addition of names of other cosponsors.

The PRESIDENT pro tempore. Without objection the resolution will be printed in the RECORD, and the bill will lie on the table, as requested by the Senator from Minnesota.

The resolution is as follows:

RESOLUTION ADOPTED AT REGION VI MEETING OF NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

REA REORGANIZATION

Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

Whereas Secretary of Agriculture, Ezra Taft Benson, pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

Whereas, in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office; and

Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1953, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed.

AMENDMENT OF WATERSHED PROTECTION AND FLOOD PREVENTION ACT

Mr. KERR. Mr. President, on behalf of myself and my colleague, the junior Senator from Oklahoma [Mr. MONRONEY], I introduce, for appropriate reference, a bill to amend the Watershed Protection and Flood Prevention Act to provide that its loan provisions shall be applicable to certain other projects. I ask unanimous consent that a statement by me relating to a similar bill introduced by me in the 85th Congress, and appearing at page 4181 of the CONGRESSIONAL RECORD, may be printed in the RECORD.

The PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the statement will be printed in the RECORD.

The bill (S. 153) to amend the Watershed Protection and Flood Prevention Act to provide that its loan provisions

shall be applicable to certain other projects, introduced by Mr. KERR (for himself and Mr. MONRONEY), was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

The statement presented by Mr. KERR is as follows:

Mr. KERR. Mr. President, on behalf of myself, and my colleague, the junior Senator from Oklahoma [Mr. MONRONEY], I introduce, for appropriate reference, a bill to amend the Watershed Protection and Flood Prevention Act to provide that its loan provisions shall be applicable to certain other projects.

This bill, if enacted, would amend Public Law 566, 83d Congress, as amended by Public Law 1018, 84th Congress. The purpose of the amendment is to extend the authorization of loans contained in Public Law 1018 to 11 watershed projects authorized under section 13 of the Flood Control Act of 1944.

Construction of watershed works of improvement in these 11 projects has been underway for a period of 10 years. They are generally identical in character to the types of improvements provided for in Public Law 566, as amended. The 11 watersheds include a total of about 30 million acres in New York, Pennsylvania, Maryland, Virginia, West Virginia, Georgia, Mississippi, Oklahoma, Texas, Iowa, and California.

Because the programs in these 11 watersheds were already authorized, the Department has not accepted applications for assistance within their boundaries under the provisions of Public Law 566, as amended. The only form of assistance not available in these 11 watersheds which can be obtained under authority of Public Law 566, as amended, is the securing of Federal loans under the provisions of section 8 of Public Law 566, as amended.

The purpose of the bill is to further amend Public Law 566 to make the provisions of section 8 applicable to the 11 watersheds authorized in the Flood Control Act of 1944 in the same manner as it is applicable to all projects originated under Public Law 566 throughout the remainder of the United States.

EVALUATION OF RECREATIONAL BENEFITS FROM CONSTRUCTION OF CERTAIN WORKS OF IMPROVEMENT

Mr. KERR. Mr. President, on behalf of myself, the Senator from South Dakota [Mr. CASE], and my colleague, the junior Senator from Oklahoma [Mr. MONRONEY], I introduce, for appropriate reference, a bill to make the evaluation of recreational benefits resulting from the construction of any flood-control, navigation, or reclamation project an integral part of project planning, and for other purposes. I ask unanimous consent that a statement prepared by me on February 11, 1957, relating to this subject matter may be printed in the RECORD.

The PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the statement will be printed in the RECORD.

The bill (S. 159) to make the evaluation of recreational benefits resulting from the construction of any flood-control, navigation, or reclamation project an integral part of project planning, and

for other purposes, introduced by Mr. KERR (for himself and other Senators), was received, read twice by its title, and referred to the Committee on Public Works.

The statement presented by Mr. KERR is as follows:

STATEMENT BY SENATOR KERR

Federal water projects have become a major portion of the playgrounds for the Nation. I believe it is time that the Federal law recognizes the great economic value of these recreation benefits and increases the opportunity for their development.

Under present law, the value of the recreation benefits expected from water projects cannot be counted in computing the economic justification. Furthermore, there is insufficient provision for a full development of recreation opportunities to insure wider usage and more economic benefits to the areas.

Senator MONRONEY and I are, therefore, today introducing new legislation to correct this situation. The only limitation will be that the recreation program does not conflict with the major purposes of the project, such as flood control, power, etc. The general result will be to speed authorization and construction of projects with recreational opportunities, and to improve such facilities of those projects already in operation.

The primary purpose of the bill is to improve the benefit-cost ratio by counting potential recreation benefits up to 15 percent of the total cost of the project. This portion would not be repaid to the Federal Government by users. Such benefits would be computed on the basis of \$1 per person on the estimated number of visitors annually, a figure obviously much less than experience proves would be fed into the local economy by the booming tourist trade.

Our bill would allow and encourage full cooperation and coordination of all agencies, local, State and Federal, to promote the maximum development and usage of recreation facilities. It covers the projects built both by the Corps of Army Engineers and the Bureau of Reclamation.

This proposal to recognize officially recreation benefits has been endorsed by the Chief of the Corps of Army Engineers. He recently cited the tremendous popularity of the lake projects, and indicated the need of new and clarifying legislation.

The proven value and popularity of these great projects demonstrate the logic and necessity of recognizing recreation as an important benefit.

For instance, in 1955, there was a total of 62 million visitors at the Army Engineers projects, which was more than the combined total at all national parks, and many, many more than the total visiting national forests.

Last summer, there were 64,000 boats licensed for operation on the Army Engineer reservoirs, with the number growing at a rapid rate. Water skiing in the land-locked Middle West has become a booming fad.

In our own Oklahoma, there were about 13.5 million visitors reported at our 9 big lakes, including about 6.6 million at Lake Texoma. Already, the tourist business is feeding millions of dollars annually into our economy, and the increase of population, with the increase of leisure time, is calculated to multiply this total many times in the future.

Senator MONRONEY, of Oklahoma, is cosponsoring this bill with me in the Senate, and a companion bill is being introduced in the House by Representatives CARL ALBERT and ED EDMONDSON, of Oklahoma.

We have spent many months in conference on this bill, working with representatives of State and local agencies, and the Federal agencies affected. We believe it is adequate and satisfactory. It will greatly

strengthen our soil and water program, provide better recreation facilities for the people, and spur the economy where the projects are located.

COMMISSION TO STUDY PROBLEMS OF ALCOHOLISM

Mr. JOHNSTON of South Carolina. Mr. President, I introduce for appropriate reference a joint resolution, the purpose of which is to establish a commission to study the problem of alcoholism in the United States and to make recommendations for the more adequate provision of facilities for the treatment, rehabilitation, cure of alcoholics, and for the prevention of alcoholism.

I conducted an intense personal study into alcoholic problems which entailed the examination of records and statistics furnished me by nearly every State in the Nation and also information provided by doctors, industries, and other organizations such as Alcoholics Anonymous which are working on this problem.

I have prepared a statement in support of this resolution which incorporates generally facts on alcoholism and what it is costing America in broken homes, broken lives, dollars and cents, and which, I think, clearly demonstrates that alcoholism is a cancer on our spirit.

At this time I would like to thank the Governors and alcoholism commissions of the various States which assisted me in compiling facts on the effects of alcoholism in this country. I have retained this information and I shall gladly make this material available to the committee of the Senate to which my resolution may be referred for appropriate action.

Mr. President, I ask unanimous consent to have printed along with my remarks a statement in support of the joint resolution on alcoholism.

The PRESIDENT pro tempore. The joint resolution will be received and appropriately referred; and, without objection, the statement will be printed in the RECORD.

The joint resolution (S. J. Res. 1) to establish a Commission to study the problem of alcoholism in the United States and to make recommendations for the more adequate provision of facilities for the treatment, rehabilitation, and cure of alcoholics, and for the prevention of alcoholism, introduced by Mr. JOHNSTON of South Carolina, was received, read twice by its title, and referred to the Committee on Labor and Public Welfare.

The statement presented by Mr. JOHNSTON of South Carolina is as follows:

STATEMENT OF SENATOR JOHNSTON

One of the major problems confronting modern society is alcoholism.

This addictive disease accounts for an almost countless number of woes: it makes life a living hell for more than 5 million Americans and their families. It is a disease which brings pain, mental, financial, and physical suffering to victims, causes personality breakdowns, broken homes, high divorce rates, delinquency, adult and juvenile, crimes of various sorts, an appalling toll of accidents, industrial and traffic, serious financial loss to business and industry. Not the least ill desired byproduct of alcoholism is the corrosion of morale it brings to substantial segments of the population and the yet undetermined physical damage to human

minds and bodies. Alcoholism, in short, is a problem of great national concern.

Alcoholism is not a new problem to man. It has been with civilization for centuries. For a long, long time it has been a serious problem. But only in recent years has it been recognized as a disease. We know now the alcoholic should not be treated with social shame, but as one who is ill with a disease. In the opinion of many experts in the field of alcoholism, the changed public attitude toward the alcoholic is one of the major gains of the past several decades.

Compassion rather than condemnation must be the keynote in dealing with alcoholics. It is with this view that I address myself to the challenging problem of alcoholism. It was with the thought that we can further the good work already being done by the several States and others in this vital field by developing national interest and providing leadership and auxiliary help that I undertook a comprehensive survey and study of this whole problem.

The results indicate to me and others that a challenging task confronts us in the extension of activity to deal with alcoholism. In the areas of education, prevention, treatment, and rehabilitation, much remains to be done despite the excellent efforts of the several States in their respective programs.

Before proceeding with the presentation of the material recruited in my study of alcoholism, I am pleased to acknowledge the very splendid cooperation of the governors of the several States as well as the respective directors of the various State commissions on alcoholism. I have had a most hearty and prompt response from those officials in my request for information on what their States are doing for the treatment and prevention of alcoholism. I also want to record my thanks to the many private and public organizations that have given their wholehearted and valuable cooperation.

An impressive volume of achievement has been realized over the country in programs on alcoholism. It is readily apparent from the encouraging results through the Nation that the attitude of the public, the medical fraternity and Government has taken a tremendous change for the better.

Most encouraging is the realization that something worthwhile in the way of a cure can be effected, that individuals can be reclaimed from the rubble heap and brought back to sound health, self-respect, and useful places in society. The work of Alcoholics Anonymous has been most effective in this field—the activities of this group is a saga of understanding, tolerance, helpful support and practical therapy. It is most heartening to read the accomplishments of Alcoholics Anonymous and it is all the more noteworthy because the work was started originally by two men who had been addicted to drinking. From this humble, spontaneous operation Alcoholics Anonymous has spread to a nationwide organization which commands the voluntary, inspired services of thousands of men and women who have been fellow sufferers.

Giving credit to all the pioneers in the field of alcoholism, public officials, lay men and women, and members of the medical profession, social workers and others, I am of the opinion, based on my studies, that despite the vast amount of good that has been accomplished, the surface really has been only scratched. Present programs in many States are the beginnings of what hold the promise of real achievement. In State after State, the start has been made and the course has been charted. But facilities, personnel, and funds are at a bare minimum. The foundation is here upon which we can build the pillars of solid achievement to universally overcome alcoholism.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued February 26, 1959
For actions of February 25, 1959
86th-1st, No. 31

CONTENTS

Acreage allotments.....	2
Annual leave.....	12,32
ASC committees.....	32
Awards.....	22
Bonding.....	13
Budget.....	13
Centennial celebration.....	3
Committee assignments.....	10
Cotton.....	2,19
Crop insurance.....	4
Country life.....	27
Depressed areas.....	29
Education.....	23
Electrification.....	1,21
Export control.....	12
Extension work.....	11
Farm labor.....	8
Farm program.....	12,28
Fisheries.....	31
Foreign investment.....	20
Forestry.....	7
4-H Clubs.....	11
Housing.....	6
Inflation.....	16
Laws.....	34
Life insurance.....	32
Milk.....	30
Outdoor recreation.....	7
Personnel.....	14,22,26,32
Public debt.....	9,33
Public Law 480.....	15
REA.....	1
Reports.....	12
Research.....	25
Retirement.....	26,32
Rice.....	2
Science.....	25
Tobacco.....	12
Treasury.....	12
Unemployment.....	24
Unemployment compensation.....	14
Water pollution.....	17
Watersheds.....	5

HIGHLIGHTS: Senate subcommittee ordered reported bill to give REA independent status. House committee rejected motion to order reported bill to permit exchange of cotton and rice acreage allotments. House subcommittee ordered reported bill to provide for centennial celebration of establishment of USDA and land-grant colleges. Rep. Roosevelt urged enactment of legislation to increase wages for farm labor. Reps. Quie and Thompson (Tex.) introduced and Rep. Quie discussed bills to establish Commission on Country Life.

SENATE

1. ELECTRIFICATION. The Reorganization and International Organizations Subcommittee of the Government Operations Committee ordered reported S. 144, to amend Reorganization Plan 2 of 1953 so as to exempt REA from the plan, to transfer to the Administrator of REA all functions which were transferred from the Administrator to the Secretary of Agriculture by the plan, and to give the Administrator sole responsibility for the approval or denial of REA loans. p. D109

HOUSE

2. ACREAGE ALLOTMENTS. The Agriculture Committee rejected a motion to order reported H. R. 3215, to permit the exchange between farms in the same county of cotton and rice acreage allotments. p. D111
3. CENTENNIAL CELEBRATION. A subcommittee of the Judiciary Committee ordered reported H. R. 4012, to provide for the centennial celebration of the establishment of the Department of Agriculture and the land-grant colleges and State universities. p. D111

4. CROP INSURANCE. The Agriculture Committee ordered reported H. R. 306, to amend the Federal Crop Insurance Act so as to eliminate from the program crops which constitute only a small part of total income. p. D111
5. WATERSHEDS. The Agriculture Committee "approved seven watershed projects in the respective States of Mississippi, North Carolina, North Dakota and South Dakota, Kansas and Nebraska, Ohio, and Oklahoma." p. D111
6. HOUSING. The Banking and Currency Committee ordered reported with amendment H. R. 2357, the housing bill for 1959. p. D111
7. FORESTRY. The Interior and Insular Affairs Committee ordered reported with amendment H. R. 1776, to provide for the employment of staff members by the National Outdoor Recreation Resources Commission. p. D111
8. FARM LABOR. Rep. Roosevelt urged the enactment of legislation to amend the Fair Labor Standards Act so as to provide for increases in the wages for farm labor. pp. 2651-4
9. PUBLIC DEBT. Rep. Wright and others expressed concern over the size of the public debt, and urged the enactment of legislation to provide a program for the systematic retirement of the debt. pp. 2643-51
10. COMMITTEE ASSIGNMENTS. Rep. Simpson, Pa., was appointed a member of the Joint Committee on Reduction of Nonessential Federal Expenditures. p. 2624
11. EXTENSION WORK. Rep. Natcher commended the work of the 4-H Clubs. p. 2654
12. REPORTS. Received the annual report of the Secretary of the Treasury (H. Doc. 3) p. 2656
Received from Commerce a quarterly report on export control. p. 2656
Received from GAO an audit report of burley and flue-cured tobacco price support and agricultural adjustment programs in N. C. and Tenn., and a review of warehouse tobacco sales in Ky., by CSS, 1956-57. p. 2656
13. BONDING. Received from GAO a proposed bill "To eliminate all responsibility of the Government for fixing dates on which the period of limitation for filing suits against Miller Act payment bonds commences to run"; to Judiciary Committee. p. 2656
14. PERSONNEL. The Ways and Means Committee reported with amendment H. R. 3472, to repeal Sec. 1505 of the Social Security Act so that in determining eligibility of Federal employees for unemployment compensation their accrued annual leave shall be treated in accordance with State laws (H. Rept. 80). p. 2657

ITEMS IN APPENDIX

15. FARM PROGRAM. Rep. Hull inserted a speech by Sen. Symington stating that "drops in farm income and purchasing power" have been a cause of the recent recession, that many farm families have no automobiles or telephones, and that to solve, in part, the farm inventory of surplus crops problem, increased action under Public Law 480 of aiding foreign countries must be taken. pp. A1425-6
16. INFLATION. Extension of remarks by Rep. McGovern discussing the effect of administered prices on inflation, and insertion of an article discussing Gardner Means' proposals concerning how to control price increases in concentrated industries. pp. A1427-8

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued March 19, 1959
For actions of March 18, 1959
86th-1st, No. 44

Acreage allotments.8,46,51		
Acreage history.....51		
Appropriations.....25		
Area redevelopment.9,24,33		
ASC committees.....42		
Banking and currency....52		
Budget.....37		
Civil defense.....16		
Conservation.....18		
Cooperatives.....23		
Cotton.....8,32,46	Guam.....20	Prices.....3
Credit unions.....48	Hall of fame.....40	Public Law 480.....5
Economic conditions....12	Holidays.....38	REA.....30
Electrification....1,19,30	Inflation.....3	Research.....20,43
Expenditures.....11	Insecticides.....43	Soil bank.....14
Farm income.....26	Lands.....18,37	Special milk.....2
Farm loans.....15	Legislative program....24	Statehood.....54
Farm program.....31	Military construction...5	Textiles.....34
Flood control.....19,36	Milk.....2	Transportation.....50
Food bank.....22	Monopolies.....10	TVA.....19
Food storage.....22,28	Natural resources.....18	Vehicles.....38
Foreign aid.....13,35,41	Oranges.....53	Water.....7
Foreign trade.....47	Patents.....44	Water resources.....21
Forestry.....4,18,29	Personnel.....38	Watersheds.....36
Government	Postal rates.....6	Wildlife.....43
corporations.....17,49	Price controls.....45	Wool.....27

HIGHLIGHTS: Senate committee reported bill to authorize rental of cotton acreage allotments. Senate committee reported area redevelopment bill. Rep. Roosevelt urged approval of legislation to expand special milk program. House committee ordered reported bill to give REA independent status. Rep. Reuss introduced and discussed bill to transfer Public Law 480 functions to State Dept. Sen. Fulbright introduced and discussed administration's mutual security bill.

HOUSE

1. ELECTRIFICATION. The Government Operations Committee ordered reported with amendment H. R. 1321, to amend Reorganization Plan No. 2 of 1953 regarding REA. p. D180
2. SCHOOL MILK. Rep. Roosevelt urged the House to approve additional funds for the special milk program. p. 4062
3. PRICES; INFLATION. Rep. Patman criticized the Federal Reserve System for instituting a tight money policy during a period of "administered prices," stating that tight money decreases classical inflation but is "not effective in checking price increases of this kind," and inserted several articles on the subject. p. 4077-9

4. FORESTS. The Interior and Insular Affairs Committee ordered reported with amendment H. R. 2497, to add certain lands located in Idaho to the Boise and Payette National Forests. p. D180

5. MILITARY CONSTRUCTION. The Armed Services Committee reported with amendment, H. R. 5674, to authorize certain construction at military installations including authorization to use foreign currencies under Public Law 480 for foreign military housing (H. Rept. 223). p. 4080

6. POSTAL RATES. The Postal Operations Subcommittee of the Post Office and Civil Service Committee ordered reported to the full committee with amendment H. R. 4595, to clarify and make uniform certain provisions of law relating to special postage rates for educational, cultural, and library materials. p. D181

7. WATER. Received from the Colorado Legislature a memorial urging the preservation and safeguarding of established state and individual rights regarding the use of water within the separate States. p. 4082

SENATE

8. COTTON ALLOTMENTS. The Agriculture and Forestry Committee reported an original bill, S. 1455, to authorize the rental of cotton acreage allotments (S. Rept. 115). p. 3943

9. AREA REDEVELOPMENT. The Banking and Currency Committee reported with amendments S. 722, to establish an effective program to alleviate conditions of substantial and persistent unemployment and underemployment in economically depressed areas (S. Rept. 110). p. 3943

10. MONOPOLIES. Passed as reported S. 726, to amend the Clayton Act so as to provide for more expeditious enforcement of cease and desist orders. pp. 4004-06

11. EXPENDITURES. Sen. Langer inserted a bulletin, "The Growth of Social Welfare Expenditures Under Federal Programs." pp. 3996-8

12. ECONOMIC CONDITIONS. Sen. Gore and others discussed "the serious economic problems with which our country is faced," including comments on interest rates on REA loans and the farm income situation. pp. 3980-91

13. FOREIGN AID. Sen. Mansfield stated that Congress should "take a very careful look" at the President's proposed mutual security program. pp. 4025-6

14. SOIL BANK. Received from this Department a report on the 1958 soil bank conservation reserve program. p. 3935

Received a local Farmers Union resolution urging that the actual production per acre over the last 10 years be used as a basis for county records to determine allotments and conservation reserve payments. p. 3942

15. FARM LOANS. Received from the Farm Credit Administration two proposed bills to: "Amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks" and "clarify the status of the Federal land banks, the Federal intermediate credit banks, and the banks for cooperatives and their officers and employees with respect to certain laws applicable generally to the United States and its officers and employees"; to Agriculture and Forestry Committee. p. 3935

Mar. 20, 1959

"The budget estimate of \$1,336,754,811 for reimbursement to the Commodity Credit Corporation for costs of special activities has been allowed in full. The laws authorizing programs financed through this Corporation provide that costs incurred shall be reimbursed through the normal appropriation process, and authorize appropriations for such purpose. The Corporation's borrowing authority is \$14.5 billion at the present time and it is evident that additional authorization will be required before June 30 unless reimbursement is made now for costs incurred prior to June 30, 1958."

"The Committee has viewed with considerable concern the fact that the trend in employment in Government is upward. The problem is widespread."

"The bill has \$995,000 for the Food and Drug Administration including \$300,000 for 50 additional positions to administer the new Federal Food, Drug and Cosmetic Act amendments enacted by the Congress last year which prohibit the use in foods of additives which have not been adequately tested to establish their safety, and \$695,000 for increased pay costs authorized under Public Law 85-462."

"The Committee has approved \$10,000,000 additional capitalization for the General Supply Fund, a reduction of \$5,000,000 in the request. Some increase in capital appears to be necessary as the sales volume continues to rise, and the Bureau of the Budget is urged to continue its efforts to assist the General Services Administration in having agencies pay their bills on time so that such capital requirements will be kept at a minimum."

"Outdoor Recreation Resources Review Commission. The request of \$350,000 has not been allowed for this Commission at this time. The need for special funds in the magnitude of \$2,500,000 as authorized for appropriation to inventory and evaluate the outdoor recreation resources and opportunities of the nation should be examined carefully."

"The National Park Service is currently expending at a rate in excess of \$1,000,000 a year for planning, including \$338,000 specifically for this nationwide recreation planning activity. The Forest Service also has adequate planning funds available and plans to make an inventory and evaluation of outdoor recreation resources and opportunities of all forest lands and report its findings to the Commission by 1961. In addition, the various States have funds available for the conduct of a review of this nature. In the light of this overall fund situation it is believed that provision of additional Federal appropriations for the purpose should be deferred pending thorough review of the proposed budget request of \$1,100,000 for this Commission for fiscal year 1960. The \$50,000 currently available should be adequate for expenses of the Commission pending this review."

"With respect to Pay Act costs, the Committee uniformly applied a 10% reduction against the amounts requested, and provided that such additional amounts would be made available by transfer from the appropriation for "Conservation Reserve Program" as proposed in the Budget Estimate."

The bill also includes \$44,600,000 for education aid in Federally impacted areas."

ELECTRIFICATION. The Government Operations Committee reported with amendments H. R. 1321, to amend Reorganization Plan No. 2 of 1953 regarding REA (H. Rept. 235), p. 4333

Rep. Milliken criticized TVA for its award of a large turbo-generator contract to an English firm, stated that such a purchase would be unwise in the event of a

national emergency, and challenged TVA's defense of its award. pp. 4329-30

4. TREASURY-POST OFFICE APPROPRIATION BILL. Passed without amendment this bill, H. R. 5805. pp. 4306-16
5. OIL IMPORTS. Rep. Boland criticized the decision to impose quotas on certain oil imports and inserted an editorial quoting Sen. Aiken as saying this decision would "discriminate against regions of the country dependent upon imports, encourage price increases, harm our relations with Canada and other friendly producer nations, disadvantage American industry in world markets ..." p. 4332
6. LEGISLATIVE PROGRAM, as announced by Majority Leader McCormack: Mon., Interior appropriation bill; and Tues., second supplemental appropriation bill. p. 4326
7. ADJOURNED until Mon., Mar. 23. p. 4326

SENATE

8. ELECTRIFICATION. The Government Operations Committee ordered reported with an amendment in the nature of a substitute S. 144, to return to the REA Administrator functions transferred from him to the Secretary of Agriculture under Reorganization Plan No. 2 of 1953. p. D189
9. AREA REDEVELOPMENT. Continued debate on S. 722, the area redevelopment bill. pp. 4248-81
10. REPORTS. The Government Operations Committee ordered reported with amendment S. 899, to provide for the discontinuance of certain reports now required by law. p. D190
11. PROPERTY; CONTRACTS. The Government Operations Committee ordered reported without amendment S. 900, to extend the authority of the GSA Administrator to pay direct expenses in connection with the utilization of excess real property; and S. 901, to authorize the GSA Administrator to make contracts for custodial services for periods not exceeding 5 years. p. D190
12. FARM PROGRAM. Sen. Young, N. Dak., inserted several commodity letters of the Daniel F. Rice Grain Co. discussing the farm situation, including the USDA budget. pp. 4237-8
13. FORESTRY; LANDS. Both Houses received Utah Legislature resolutions urging legislation to authorize the Secretary of the Interior to convey to a State, without acreage limitation, any public lands within the State for State park and recreation purposes. pp. 4223-4, 4334
14. PERSONNEL. Sen. Mansfield criticized the disposal by Federal employees in foreign countries of personal property in excess of its value, and inserted correspondence with the State Department on the matter. pp. 4226-9
Sen. Neuberger urged legislation to provide for the full disclosure of the financial status of Federal officials who earn in excess of \$12,500 a year. pp. 4232-3
15. MILK. Sen. Williams, N. J., defended the quality of milk from N. J. which is shipped into the D. C. area. pp. 4230-1
Sen. Proxmire commended Rep. Johnson's, Wisc., efforts for the enactment of legislation to provide for the adoption of a uniform national milk sanitation code. pp. 4238-9

MODIFYING REORGANIZATION PLAN NO. II OF 1939 AND
REORGANIZATION PLAN NO. 2 OF 1953
(RURAL ELECTRIFICATION ADMINISTRATION)

MARCH 20, 1959.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. DAWSON, from the Committee on Government Operations,
submitted the following

R E P O R T

[To accompany H.R. 1321]

The Committee on Government Operations, to whom was referred the bill (H.R. 1321) to amend Reorganization Plan No. 2 of 1953, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

That the functions and activities of the Rural Electrification Administration and the Administrator of the Rural Electrification Administration which were transferred to the Department of Agriculture and to the Secretary of Agriculture by Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953 are hereby transferred to the Administrator of the Rural Electrification Administration, and shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture; except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture.

Amend the title so as to read:

A bill to modify Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953.

HEARINGS

In addition to the Price bill, H.R. 1321, the committee, through its Subcommittee on Executive and Legislative Reorganization, considered bills with the same objectives introduced by other Members. These were: H.R. 5688 by Congressman Neal Smith, a member of the committee; H.R. 3029 by Congressman McGovern; H.R. 4662 by Congressman Wolf; and H.R. 3192 by Congresswoman Pfof.

Hearings were held on March 6, 1959, printed copies of which will be available. Hearings on a similar bill were held in considerable detail in the last Congress, copies of which are also available.

PURPOSES AND EFFECTS

The purposes of H.R. 1321 are: (1) to restore to the Administrator of the Rural Electrification Administration the authority to approve or disapprove loans, without the supervision or direction of, or any other control by, the Secretary of Agriculture, under the Rural Electrification Act of 1936, as amended, and (2) to reestablish in the Rural Electrification Administration, as a matter of law, the functions vested in that agency by the 1936 act. Except for the approval or disapproval of loans, the Rural Electrification Administration will remain under the general supervision and direction of the Secretary of Agriculture. His power to redistribute its functions among other agencies of the Department will, however, be eliminated.

BRIEF HISTORY OF THE RURAL ELECTRIFICATION ADMINISTRATION

The Rural Electrification Administration was created by Executive Order 7037 of May 11, 1935, under authority of the Emergency Relief Appropriation Act of 1935, approved April 8, 1935 (49 Stat. 115). Statutory provision for the agency was made in the Rural Electrification Act of May 20, 1936 (49 Stat. 1363; 7 U.S.C. 901 et seq.). This law authorized loans for facilities to bring central station electric service to rural people who did not have it.

At the time the agency was created there were large areas of our country and many families without electric power, or telephones, who because of remoteness from large population centers or for other economic reasons were unable to obtain service from existing private electric power or telephone companies. The Rural Electrification Administration provided low interest rate loans and other services which made possible the formation of cooperatives by the potential users themselves and resulted in great advances in the intervening years.

Rural Electrification Administration became a part of the Department of Agriculture under Reorganization Plan No. 2, effective July 1, 1939. An act approved September 21, 1944 (58 Stat. 739; 7 U.S.C. 903), liberalized the terms of Rural Electrification Administration loans and removed the time limitation from its lending program. The Pace Act fixed the interest rate to Rural Electrification Administration borrowers at 2 percent and extended the permissible loan repayment period from a maximum of 25 to 35 years. Rural Electrification Administration was authorized by act approved October 28, 1949 (63 Stat. 948; 7 U.S.C. 901), to make loans for the purpose of furnishing and improving rural telephone service.

Under Reorganization Plan No. 2 of 1953 there were transferred to the Secretary of Agriculture the functions of the Administrator of Rural Electrification Administration and the power was given the Secretary to delegate these functions as he deemed appropriate. In an order by the Secretary dated January 2, 1954, the Rural Electrification Administration was assigned the functions of the rural electrification program and the rural telephone program with certain reservations.

ANALYSIS

The effect of the two reorganization plans affecting Rural Electrification Administration is as follows:

Reorganization Plan No. 2 of 1939 changed the Rural Electrification Administration from its status as an independent agency and transferred it to the Department of Agriculture under the general direction and supervision of the Secretary of Agriculture. The text of section 5 of the plan reads:

The Rural Electrification Administration and its functions and activities are hereby transferred to the Department of Agriculture and shall be administered in that Department by the Administrator of the Rural Electrification Administration under the general direction and supervision of the Secretary of Agriculture.

The 1939 plan transferred the Rural Electrification Administration along with its functions to the Department of Agriculture but provided it should retain its identity as a separate unit within the Department under the general direction and supervision of the Secretary. While the 1939 plan transferred the functions and activities of the Rural Electrification Administration to the Department of Agriculture, it continued the administration of these functions and activities in the Administrator of Rural Electrification Administration. The fact that the Secretary immediately transferred the legal divisions of Rural Electrification Administration to the then Solicitor's office in the Department is no evidence that the Secretary acquired the functions of Rural Electrification Administration since there was an existing statute which read:

The legal work of the Department of Agriculture shall be performed under the supervision and direction of the Solicitor (5 U.S.C. 518).

The plan of 1953 on the other hand clearly transferred the functions of Rural Electrification to the Secretary and gave him the power to exercise these functions himself or to delegate them to any officer in the Department. In 1954 the Secretary did, in fact, assign these functions to the Administrator of Rural Electrification Administration but with the reservation that such delegation of authority is subject to withdrawal or amendment at any time.

Subsequently, the Secretary issued an unwritten order to the Administrator of Rural Electrification Administration to submit for review by the Director of Agricultural Credit Services all loans over \$500,000 prior to their approval by the Administrator. Later this figure was changed to \$1 million.

Under H.R. 1321, any functions transferred to the Department or the Secretary by the 1939 or 1953 plan will be put back in the Administrator of Rural Electrification Administration, and the Administrator of Rural Electrification Administration shall carry out these functions within the Department of Agriculture under the general direction and supervision of the Secretary. Thus the Rural Electrification Administration will remain intact within the Department and its functions may not be distributed to other officers or units elsewhere in the Department. The functions relating to the approval or disapproval of loans, however, will not be subject to the supervision or direction or to any other control by the Secretary of Agriculture.

SOME BASES FOR COMMITTEE RECOMMENDATIONS

At the time when Congress had under consideration Reorganization Plan No. 2 of 1953, Secretary Benson appeared in behalf of the plan and was sharply interrogated by Members of Congress with respect to his intended administration of the Rural Electrification Administration should the reorganization plan be not disapproved by Congress. In reply to such questions as to his purpose and intent Secretary Benson said:

But if we have in mind any major changes, certainly we would want to *consult with the Congress* before we took such steps, because I know there is a very wide interest in that agency, probably as much as in almost any other agency in the departments. [Emphasis supplied.]

It is scarcely conceivable that Congress would have permitted the plan to take effect without this explicit assurance.

There is no record of any consultation by the Secretary of Agriculture with Congress in respect to any changes in the administration of the Rural Electrification Administration from the time the Secretary made that pledge to the present. But he did make major changes. In May 1957 the Secretary did require that substantial Rural Electrification Administration loans be reviewed by the Director of Agricultural Credit Services before their approval by the Administrator of the Rural Electrification Administration. This certainly was a major change in the independent authority theretofore exercised by the Administrator. With the repudiation by the Secretary of the understanding pursuant to which Congress allowed Reorganization Plan No. 2 of 1953 to become effective, legislation is now required to attain the nonpolitical independence with which Congress intended the Administrator to act, and to reinstate the powers which Congress intended the Administrator to exercise.

It is inconsistent with sound administration to require an administrator appointed by the President with the advice and consent of the Senate for a 10-year term to submit his major decisions for prior review by an inferior appointed official.

A corollary of the disillusionment of Congress has been an increased and avowed conviction on the part of those who enjoy the major benefits of the Rural Electrification Act that these benefits are currently in serious jeopardy by reason of major changes made verbally by the Secretary of Agriculture which they believe are inimical to the purposes for which the legislation was enacted. This conviction

has been intensified by the fact that neither the public or the committee has been able to discover any standards or criteria which have been established to guide the actions of the reviewing official. The testimony shows that his actions are based largely upon what he surmises are the personal views of the Secretary of Agriculture.

During the hearings Administration witnesses claimed that in practice the authority of the Administrator of the Rural Electrification Administration has not been lessened by the action of the Secretary. Whether or not this contention is accepted, certainly the Administration cannot object to legislation which merely confirms the practices the Administration itself alleges it is following.

NONAPPLICABILITY OF CLAUSE 3 OF RULE XIII

Although this legislation apparently does not fall within the provisions of clause 3 of rule XIII of the Rules of the House of Representatives, there is included in this report the applicable section of Reorganization Plan No. II of 1939 and all of Reorganization Plan No. 2 of 1953.

EXCERPT FROM REORGANIZATION PLAN NO. II OF 1939

(53 Stat. 1431 at 1434)

SEC. 5. *Department of Agriculture: Rural Electrification Administration Transferred.*—The Rural Electrification Administration and its functions and activities are hereby transferred to the Department of Agriculture and shall be administered in that Department by the Administrator of the Rural Electrification Administration under the general direction and supervision of the Secretary of Agriculture.

REORGANIZATION PLAN NO. 2 OF 1953

(67 Stat. 633)

DEPARTMENT OF AGRICULTURE

SECTION 1. *Transfer of functions to the Secretary.*—(a) Subject to the exceptions specified in subsection (b) of this section, there are hereby transferred to the Secretary of Agriculture all functions not now vested in him of all other officers, and of all agencies and employees, of the Department of Agriculture.

(b) This section shall not apply to the functions vested by the Administrative Procedure Act (5 U.S.C. 1001 et seq.) in hearing examiners employed by the Department of Agriculture not to the functions of (1) the corporations of the Department of Agriculture, (2) the boards of directors and officers of such corporations, (3) the Advisory Board of the Commodity Credit Corporation, or (4) the Farm Credit Administration or any agency, officer, or entity of, under, or subject to, the supervision of the said Administration.

SEC. 2. *Assistant Secretaries of Agriculture.*—Two additional Assistant Secretaries of Agriculture shall be appointed by the President, by and with the advice and consent of the Senate. Each such Assistant

Secretary shall perform such functions as the Secretary of Agriculture shall, from time to time, prescribe and each shall receive compensation at the rate prescribed by law for Assistant Secretaries of executive departments.

SEC. 3. *Administrative Assistant Secretary.*—An Administrative Assistant Secretary of Agriculture shall be appointed, with the approval of the President, by the Secretary of Agriculture under the classified civil service, and shall perform such functions as the Secretary of Agriculture shall, from time to time, prescribe. The provisions of the item numbered (1) of the third proviso under the heading “General Provisions” appearing in chapter XI of the Third Supplemental Appropriation Act, 1952, approved June 5, 1952 (66 Stat. 121), are hereby made applicable to the position of Administrative Assistant Secretary of Agriculture.

SEC. 4. *Delegation of functions.*—(a) The Secretary of Agriculture may from time to time make such provisions as he shall deem appropriate authorizing the performance by any other officer, or by any agency or employee, of the Department of Agriculture of any function of the Secretary, including any function transferred to the Secretary by the provisions of this reorganization plan.

(b) To the extent that the carrying out of subsection (a) of this section involves the assignment of major functions or major groups of functions to major constituent organizational units of the Department of Agriculture, now or hereafter existing, or to the heads or other officers thereof, and to the extent deemed practicable by the Secretary, he shall give appropriate advance public notice of delegations of functions proposed to be made by him and shall afford appropriate opportunity for interested persons and groups to place before the Department of Agriculture their views with respect to such proposed delegations.

(c) In carrying out subsection (a) of this section the Secretary shall seek to simplify and make efficient the operation of the Department of Agriculture, to place the administration of farm programs close to the State and local levels, and to adapt the administration of the programs of the Department to regional, State, and local conditions.

SEC. 5. *Incidental transfers.*—The Secretary of Agriculture may from time to time effect such transfers within the Department of Agriculture of any of the records, property, and personnel affected by this reorganization plan and such transfers of unexpended balances (available or to be made available for use in connection with any affected function or agency) of appropriations, allocations, and other funds of such Department, as he deems necessary to carry out the provisions of this reorganization plan; but such unexpended balances so transferred shall be used only for the purposes for which such appropriation was originally made.

APPENDIX

STATEMENT OF HON. MELVIN PRICE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS, AUTHOR OF H. R. 1321

Mr. Chairman, I am grateful to the committee for providing me the opportunity to appear this morning in support of H.R. 1321, which would amend Reorganization Plan No. 2 of 1953 and also Reorganization Plan No. 2 of 1939.

My statement will be brief, mainly because of the fact that the committee is thoroughly familiar with this matter, having acted on it toward the closing days of the last session of Congress. The details of it are fresh in the minds of the majority of the committee.

The purpose of H.R. 1321 is to return to the Administrator of the Rural Electrification Administration all of the independent authority with respect to the approval or denial of loan authority which he had under provisions of the Rural Electrification Act of 1936, and which he exercised prior to the acceptance of the aforementioned reorganization plans.

I am certain that witnesses who will follow me will present sound argument as to the wisdom of this course of action. I feel that this is a needed move to preserve the vitality and purpose of this very useful agency which has brought light and power to rural America.

The Rural Electrification Administration was created as an independent agency back in 1936. In 1939 the agency was placed in the Department of Agriculture on the supposition that clearer lines of authority would be established and efficiency improved. It has since become obvious that the lack of independence on the part of the Administrator in certain areas, and particularly in the loan area, could eventually destroy REA, should it become subservient to any administration which had not created it and which might be lacking in enthusiasm for it. The fine accomplishment of the Rural Electrification Administration cannot be consolidated by divided and contradictory administration. To solidify the Rural Electrification Administration, I urge the approval of H.R. 1321.

STATEMENT OF CLYDE T. ELLIS, GENERAL MANAGER, NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION, BEFORE THE HOUSE COMMITTEE ON GOVERNMENT OPERATIONS, SUBCOMMITTEE ON EX- ECUTIVE AND LEGISLATIVE REORGANIZATION, IN SUPPORT OF H.R. 1321, MARCH 6, 1959

Mr. Chairman and members of the committee, I am general manager of the National Rural Electric Cooperative Association. This association is the service organization of the rural electric systems which are borrowers of REA. More than 90 percent of them are

members. They serve about 4 million farms and other rural establishments in 45 States. All told, between 12 million and 16 million people have electric light and power directly because of the service provided by these systems.

In view of the extensive hearings held last summer on the proposed legislation before you, I understand you are anxious to keep these hearings as short as possible. Therefore I shall touch only some of the high spots and refer to the considerable amount of testimony presented last year by about 25 rural electric representatives from several States. At that time, nearly 100 other cooperative representatives felt strongly enough about this matter to come to Washington for the hearings in order to underscore the need for some action such as was provided for in the legislation under consideration. Many rural electric leaders would be glad to come in to these hearings now and testify if you should think that to be necessary.

My appearance here today is to support H.R. 1321 which was introduced at the start of this session by Hon. Melvin Price. As you know, identical bills, or nearly so, have also been introduced in this session by Hon. George S. McGovern (H.R. 3029); by Hon. Gracie Pfost (H.R. 3192); and by Hon. Leonard G. Wolf (H.R. 4662).

The membership of our national association has taken a strong stand in support of this proposed legislation. The concern goes back many years—back to the time in 1953 when Claude Wickard was unceremoniously dumped out of the Administrator's chair after he had been given every assurance to his face that he was wanted to carry on the REA program as it had been. However, it was midsummer 1957 that concern grew into real fear for the future of the program. What confidence our members had had in Secretary Benson evaporated as he moved in to usurp the authority of the REA Administrator and take over personal control of the agency. This feeling first found expression in our NRECA regional meetings in the fall of 1957.

Resolutions were passed at all 10 regional meetings which our membership held in the fall of 1957, protesting Mr. Benson's action, and urging congressional action to correct the situation. I would appreciate an opportunity to have these resolutions inserted in the record at this point.

This was not all; our members had more to say. At our national meeting held at Dallas on February 3-6, 1958, the membership unanimously passed a resolution which expressed fear that the REA would not continue to function with its oldtime efficiency and effectiveness under the domination of the Secretary of Agriculture—domination that had never been authorized by Congress. I would like to ask the privilege of entering in the record that resolution, at this point.

Last fall, once again, at our regional meetings the membership of our association went on record in support of the legislation now before this subcommittee. I would like to make these resolutions a part of the record.

That is what has gone before; now for the present.

Within the last month, over 7,000 representatives of the rural electric systems gathered at the National Guard Armory here in Washington for the largest national annual meeting that we have ever held. At their business meeting on Lincoln's birthday, just after an address by Speaker Rayburn, and 1 day after President Eisenhower spoke, the voting delegates unanimously passed another resolution

urging the Congress to pass this specific legislation. I have a copy of this resolution and I would like to have it inserted in the record.

In addition to these actions which, as you note, have been taken repeatedly by the members of our association, many State groups have likewise gone on record strongly opposing what the Secretary has done to REA. They are urgently asking Congress to take remedial action, as quickly as you can. I have copies of some of these resolutions and I would like to ask that these, too, be made a part of this record.

OTHERS ARE CONCERNED

Now let us turn to others who are concerned about the future of the REA program and who have been in a position to observe the program's progress, problems, and prospects. I wish to refer only to a few examples.

A number of Members of Congress in both the House and the Senate have studied the situation which the legislation you have before you is intended to correct. I believe it is significant that a great many of them have spoken out in support of the legislation.

Three weeks ago yesterday morning, Speaker Rayburn told the delegates at our annual meeting, and I quote: "We in the Congress * * * intend, if fighting will do the job, if using reason and good commonsense will do the job, to keep rural electrification on the track it has been running on for nearly 25 years.

"We do not believe that this should be administered by any Cabinet officer, but we believe it should be administered by an administrator appointed for the purpose for which he should be, and one whose vital interest is in this program.

"And we are going to, in my opinion, pass a law at an early date that will do that very thing."

That is what Speaker Rayburn said 3 weeks ago about the legislation you are now considering before this committee.

Let us turn to another eminent figure in the Congress: Senator Lyndon B. Johnson, the majority leader in the Senate, who stated there, and I quote:

"They want to do three things," the Senator told the rural electric representatives. "Raise the interest rates, send you down the chute to the Wall Street bankers and be sure that Secretary of Agriculture Benson is leaning over the Administrator's shoulder to see that the co-ops don't get a fair shake of the dice. They are not going to do any of these three things.

"We are not going to raise the interest rates. We are not going to require you to go to Wall Street for your money. And we are going to pass Hubert Humphrey's bill that gives the REA Administrator the power Congress intended him to have, and that he ought to have."

That was Senator Johnson's statement. As you know, the Humphrey bill and the Price bill are identical.

The two gentlemen I have quoted are, of course, Democrats. However, many Republicans, too, have spoken out against Benson's actions with regard to REA. This is not a partisan issue; it is an REA issue.

Let me quote from Senator Young, of North Dakota, who spoke on the subject of rural electrification in Des Moines a few months ago:

"One of the major reasons why the Rural Electrification Administration has been so successful in meeting farmers' needs is because it has always enjoyed considerable freedom of action in making loans, and otherwise. There is no justification for limiting the power and jurisdiction of the administration of REA. I don't know abuses that would warrant such action."

What these congressional leaders who are longtime friends of REA have to say can be amplified by many other statements. They are all concerned about what has happened to REA as a result of Secretary Benson's action. Then add to this the resolutions that I cited earlier, because they represent the judgment of rural electric managers, directors, and members from every part of the country, and you have a strong and widespread expression. You are hearing the voices of leaders in Government and of thousands upon thousands of farmers and rural people who are in the program. They are all deeply concerned or they would not have taken the action they did or made the statements that they have.

Rural electrification needs an aggressive and sympathetic REA. This is virtually as important today as two decades ago.

In the first place the program is confronted by the challenge of an ever-growing demand for power from the farmers and rural people who are the consumers. The use of power is doubling every 5 to 7 years. This is tremendous—even for the fast-growing electric industry.

Keeping up with such a demand puts a heavy load on the rural electric systems, as it would any business. But the load is particularly heavy due to the many unique handicaps the program has imposed upon these systems. I will list them briefly to illustrate the point and to show why it is important to have the kind of REA we have had.

(1) The act prohibits us from using REA loans to serve any of the most profitable part of the power industry market; i.e., we are prohibited from going into the thickly settled villages and towns of over 1,500 population.

(2) The act prohibits us from serving what is usually the best of the rural power market; i.e., we are prohibited from serving anyone already served even where we could do it more economically than anyone else. After the act was passed, but before we were able to get underway, the profit power companies, with their spite-line and cream-skimming tactics, took the best and left the rest to us.

(3) The law requires us to serve all the unserved in our areas, whether they pay their own way or not. And many of them don't, at present levels of consumption. This requirement of Congress was a social decision, not an economic decision.

(4) The act requires repayment of REA loans—plus interest. This we are happy to do, but the only way we can do it is to add onto the consumer members' power bills proportionate amounts to equal the required repayment to Uncle Sam. This constitutes an extreme burden because, by comparison, the power companies never liquidate their indebtedness but continue to float it in perpetuity.

(5) Our rural construction is more exposed to the hazards of the elements than city construction.

(6) About 85 percent of our systems still don't have their own complete source of power supply and nearly 50 percent of them are at the

mercy of usually one, often unfriendly, source. There is no open market in wholesale power from which we can purchase our supply.

(7) In most States the legal situation, our economic disadvantages, and the bias of regulatory commissions encourage the power companies to raid our territory and take our larger users, while we are prohibited legally from doing the same to them, even if we could do it otherwise. The spider bites, but can't be bitten.

(8) Because we must be co-ops or public power districts—whose incentive is service, not profit—we apparently must stay small by comparison with the ever-merging profit company giants. And yet we can stay out of the merger trend and survive only by merging more of our common services. We have not yet devised enough ways to pool our services to cut costs and otherwise improve our operations.

(9) Because of our small size, our comparatively low average use, and our predominantly rural character, we have neither a favorable diversity of electric use nor a relatively good load factor.

(10) And because of both our small size and our other economic disadvantages, we don't have the necessary funds for experimentation, research and studies which might help us to more efficiently overcome these handicaps—or even to stand off the mass propaganda and lobbying campaigns of our opponents while we solve our other problems.

(11) And finally, we carry the burden of simultaneously protecting the Rural Electrification Act against administration attacks and obtaining from Congress adequate new loan funds, even as we repay our existing loans.

Potent evidence that these handicaps could constitute backbreaking burdens is contained in two significant facts:

(1) Our systems still have less than 20 percent member equity, and

(2) The trend in the number of systems failing to make debt service is not good.

More systems each year do not take in enough revenue to cover operating expenses, set aside a proper amount for depreciation and replacement and make their scheduled REA loan repayments. So, in order to make their required repayments to REA, they have no choice but to fail to set aside adequate depreciation reserves. If this trend is not reversed, it could be fatal, as thousands of old farm telephone mutuals across the land could testify.

Through the years we have been fortunate in having capable administrators in REA. President Eisenhower has appointed two of them, both able men capable of carrying out the intent of the Congress. This they did until about a year and a half ago when the Secretary of Agriculture moved in.

In my testimony before this subcommittee on last year's Price bill last June, I described what had happened in REA to bring about the grave threat that now hangs over the program. I pointed out that many Members of Congress had expressed a fear of this development at the time that Reorganization Plan No. 2 was under consideration in 1953. They were apprehensive about giving the Secretary of Agriculture the authority to reorganize REA. For example, Senators Russell, Murray, and Johnson back in 1953 expressed their concern that the Secretary of Agriculture, if given the power, would some day

make changes in the REA program, and the Congress would learn about it after the deed was done.

This, of course, was just exactly what happened when Secretary Benson took unto himself the loanmaking powers that for more than 20 years had been exercised by the Administrator of the REA.

I will not now take the time to review the chronology that led up to the secret order issued in May or June 1957 which stripped the Administrator of the powers he had previously exercised to make loans without interference. I outlined that in detail to this committee last year.

THE MASTER PLAN

This Benson secret order fits right into a master plan that in my opinion has for its objective the ultimate destruction of the REA program as we have known it and seen it function so successfully during the last 24 years. All this is spelled out step by step in my statement of last June. Because this statement is even more to the point today than it was then, I should like to request, Mr. Chairman, that my statement before this committee last year be inserted in the record as a part of my testimony on this occasion.

This will make it unnecessary for me now to review any more of the background other than to make these two points:

First, not a single statement that I included in that presentation last June has been successfully challenged by Secretary Benson or any of his lieutenants.

Second, actions that we have seen since that time and documents that have come to light since that time, all tend to substantiate everything I said.

Take, for example, last summer's ruling by the Comptroller General who was appointed by President Eisenhower to head the General Accounting Office after he had served on the Atomic Energy Commission. I believe it is significant that he was on the AEC long enough to help launch the ill-fated Dixon-Yates scandal. Last summer as Comptroller General this same man tried to rewrite the REA law in a way that could have stopped all rural electrification growth in its tracks. He went so far in fact that even Secretary Benson found it too raw and revolted. It is to Secretary Benson's credit that he joined with us in protesting the Comptroller General's ruling.

I believe that it is pertinent to your consideration of REA and its present situation that you have available to you the Comptroller General's ruling of July 21 of last year as well as our lawyers' analysis of this treacherous document. Therefore I would like to submit these documents for the record.

The Comptroller General's REA ruling, however, is just one of several developments during recent months that fits right into the master plan I sketched last June.

Mr. Chairman, and members of the committee, I am more convinced than ever of the existence of a master plan for the destruction of REA. What is even more to the point, there is in the Department of Agriculture today a detailed blueprint that outlines plans, names, places, and dates as to how parts of the master plan are to be sold to the co-ops, to the Congress, and to the country.

What significance does this have regarding the legislation that you have under consideration? Just this: One of the steps in the master

plan is the subjugation of the REA Administrator. This step has been carried out. For many months now the able REA Administrator has been a captive Administrator. He will deny this; he has to deny it. But he must admit to the facts that make it so. He did in fact admit it to them before the Senate committee in hearings on the companion Humphrey bill, last year.

The reason is Secretary Benson has moved into full control as far as the REA Administrator is concerned. The most outstanding evidence of this, of course, is this: The Administrator no longer can make any major loan without having prior approval from the Secretary's office. Please keep in mind that the making of loans used to be the Administrator's only reason for existence—or certainly the principal reason.

The REA Administrator now has to be rescued from the domination of the Secretary of Agriculture if the program is not going to be seriously impaired.

The Price bill, I believe, will correct this situation—as nearly as it can be corrected by law.

The Secretary's move against REA has put fear into the hearts of our people. Those of you who heard their testimony here last year will recall their state of mind.

Enough has already happened, we feel, to justify our apprehensions, although all of us recognize that the congressional spotlight this subcommittee and its counterpart in the Senate turned on many months ago has kept Benson and company in check.

FEAR FOR THE FUTURE

However, we don't find any comfort in that, because we recall how Secretary Benson in 1953 assured Congress that he would make no major changes in REA without first consulting with Congress and with citizen organizations most concerned. Despite this assurance, he went ahead with his changes when the time suited him. He did not keep his word.

What will Benson do after you have adjourned this session of Congress?

Our people are really afraid of what can happen if safeguards are not installed now. It's the future that frightens them.

We all remember the wise old saying that the time to lock the barn door is before the horse is stolen. Well, a large part of the horse is already out, but it can still be recovered.

Let us curb the Secretary's power over REA loans before anything more drastic happens to injure the program.

In my testimony last year I described in detail why and how the Secretary of Agriculture clipped the Administrator's loan power apparently in order to stop a single, important loan. The loan was stopped. It has not been made to this day. I have heard all kinds of excuses as to why the loan has not been made. However, the fact remains that it has not been made.

Last year in my testimony I made this statement: "I am convinced that the Indiana co-ops will never build that generation and transmission system as long as Secretary Benson is the de facto Administrator of REA."

Now, I repeat that prediction.

The stopping of this loan was not the only damage that the Secretary's action brought about. The following developments, I believe, are equally important and will have much more far-reaching effects upon the program's future:

1. The weakening of congressional control over REA.
2. The injection of a new and unexplained element into the loan procedure, causing—as a minimum—uncertainty, fear, and inevitable delay.
3. The exposure of the REA program to political manipulation.
4. The loss of direct access by the co-ops to the real Administrator, and his inability to make loan commitments on the spot—either in the field or in his office.
5. The creation of additional and unnecessary redtape, duplication, and bureaucracy.

These developments in REA are bound to take their toll. And they would take this regardless of who is Secretary of Agriculture. My statements regarding the need for maintaining the REA loan-making power in the hands of the Administrator, where Congress put the power, have nothing to do with Mr. Benson personally, the color of his hair, or the brand of his politics. I believe it is important to have the Administrator—who is appointed by the President and confirmed by the Senate—serve as the real Administrator, whether you have Benson, Brannan, Wickard, or the man who one day will succeed Benson.

WHAT THE PRICE BILL DOES

The legislation that you have before you, in my opinion, will re-establish what I am personally convinced has been Congress' intent during the last 20 years: To have the REA Administrator empowered to approve or disapprove all REA loans without outside political interference.

The Price bill declares—"* * * any action of the Administrator of the Rural Electrification Administration with respect to the approval or denial of loans authorized to be made under the provisions of the Rural Electrification Act of 1936, as amended, shall be the sole responsibility of the Administrator."

That is all the bill does. It does not take REA out of the Department of Agriculture. It does not set up REA as a new and separate agency. It simply declares that the REA Administrator's power to make individual loans shall not be interfered with by anyone. This is not an extreme approach but a moderate one.

In the original Rural Electrification Act, Congress put final authority for individual loans in the hands of the Administrator, an official appointed by the President for a 10-year term, confirmed by the Senate. This provided for good, efficient administration because it kept decisions that should be made on the basis of legal, economic, and technical standards from being affected by political considerations. Under the Price REA bill, the Secretary of Agriculture will retain overall direction of REA as an agency of the Department, but these will be in areas that the Congress can and does review regularly—as, for example, the budget. Under the bill, however, the Administrator will be solely responsible for decisions about individual loans.

We urge this committee and this Congress to pass H.R. 1321 with all speed. We are convinced that to do so will mark the restoration of a successful REA program. The REA program has enjoyed phenomenal success. Farm electrification has gone from 10 percent to more than 95 percent. Three billion dollars in sound loans have been made and already \$1 billion have been paid back to Uncle Sam. What the price bill will do is restore REA to the kind of sound operation that during the last 24 years achieved the record of which we are all so proud.

“RESOLUTION

“[Adopted at the 17th Annual Meeting of the National Rural Electric Co-op Association, Washington, D.C., February 9-12, 1959]

“REORGANIZATION OF REA

“Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

“Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

“Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and all loans of whatever amount to new borrowers, be reviewed by the Secretary's office; and

“Whereas the Humphrey-Price bill would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, without divorcing REA from the Department of Agriculture: Now, therefore, be it

“*Resolved*, That we urge the Congress to pass the Humphrey-Price bill as early as possible in the 86th Congress.”

NATIONAL TELEPHONE COOPERATIVE ASSOCIATION,
Hondo, Tex., June 24, 1958.

Congressman WILLIAM L. DAWSON,
Chairman, Executive and Legislative Reorganization Subcommittee, Government Operations Committee, House Office Building, Washington, D.C.

DEAR CONGRESSMAN DAWSON: As the president of the National Telephone Cooperative Association representing telephone cooperative borrowers of the Rural Electrification Administration, I would like to express to your subcommittee our strong support of the Humphrey-Price bill which is designed to restore to the REA Administrator the powers he had prior to Secretary Benson's 1953 reorganization. I am writing to you and indicating our support of this bill in accordance with a resolution passed at the 1958 annual meeting of the National Telephone Cooperative Association in Dallas, Tex., on February 1, 1958. A copy of this resolution is attached.

It is respectfully requested that this letter, together with the resolution, be made a part of the hearing record.

We believe that an REA Administrator free from the influence and domination of the Secretary of Agriculture is essential if the REA

cooperative telephone program is to be adequately assisted in the extension and improvement of telephone service into rural America.

The Rural Electrification Act of 1936 was amended on October 28, 1949, to authorize loans for the improvement and expansion of telephone service in rural areas. The latest statistics show approximately 44 percent of the farms still not served. We feel that the improvement and extension of telephone service can best be accomplished under the REA Act when the Administrator of REA has the sole and entire responsibility and authority for reviewing and making loans. It is also the feeling of the National Telephone Cooperative Association and its members that rural telephone cooperatives can make a tremendous contribution to telephone needs of the rural people if REA is free to push this program as it has in the past.

The Senate Committee on Appropriations apparently felt the same way after it looked over the program's progress earlier this year. The committee stated in its recent report: "The committee feels that the Rural Electrification Administration has a responsibility for assisting and promoting rural telephone cooperatives where necessary to secure telephone service to farmers."

At times it has appeared that the administration did not appreciate the potential to be achieved through the cooperative telephone program. We believe that an Administrator appointed for a 10-year period, as specified in the act, and allowed to function without day-to-day political considerations, will administer the program more strictly on an economic, engineering, and service basis. We believe that such a reversion to the former method of handling telephone loans will expedite the entire loan program.

In February of this year, Under Secretary of Agriculture True D. Morse submitted a bill to the Congress to amend the Rural Electrification Act to encourage private participation in financing the loan programs. The amendments proposed were Title III: "Revolving Fund" and Title IV: "Insured Loans." In his covering letter to the Speaker of the House of Representatives, Mr. Morse said that "when the Congress authorized this rural electrification program about 22 years ago the purpose was to bring central station service to rural areas. Such service is now available in most all rural areas." He then says that "95 percent of the farms now have central station electric service." He does not say, however, that in the 1949 amendment to the Rural Electrification Act, Congress established the following policy for telephone loans: "It is hereby declared to be the policy of the Congress that adequate telephone service be made generally available in rural areas through the improvement and expansion of existing telephone facilities and the construction and operation of such additional facilities as are required to assure the availability of adequate telephone service to the widest practicable number of rural users of such service," (Public Law 423, 81st Cong.).

If the policies set forth in the administration proposals to encourage private participation in financing the loan programs are enacted, it will kill the telephone cooperatives. Mr. Hamil and Mr. Scott both have testified that should the increased interest rates be put into effect, the prime sufferers would be telephone cooperatives in sparsely settled

areas. Administrator Hamil used the word "impede" which means to stop in progress. The Administrator is in a position to know and we believe he was correct when he said increased interest rates would stop the progress of the rural telephone program.

Yet Mr. Benson has insisted that REA shall not be singled out on this interest rate question. He says it will apply to all Federal lending agencies. What difference does that make? Whether REA is singled out or not will not help if the interest rate is increased. It will still mean the end of the telephone program.

May I point out again that REA Administrator Hamil did not propose these interest rate hikes. In fact, under questioning by Senator Symington, he refused to support the administration proposals.

The Secretary has praised the REA program and said in his prepared statement before the Executive and Legislative Reorganization Subcommittee of the House Committee on Government Operations that "REA is an example of the Federal Government providing needed services which its rural citizens could not provide alone. It is traditional for the Federal Government to withdraw gradually from control and complete financing of such programs when such Federal support is no longer required." With approximately 44 percent of the Nation's farms still without telephones, we do not see how anyone could say Federal support is no longer required.

Also in his statement, Benson said "it is REA policy to give equal treatment to all telephone applications regardless of type of organization, whether cooperative, mutual, or commercial." However, there were 596 telephone borrowers as of April 30, 1958. A breakdown will show that of the total number there are 203 cooperatives and 393 commercial companies. This figures out that 34.1 percent of the total were cooperatives and 65.9 percent were commercial, profit-making companies. Of the total loans approved from January 1, 1957, to April 30, 1958 (\$108,360,766), only 22.8 percent went to the cooperatives while 77.2 percent went to commercial companies.

It is also interesting to note that as of December 31, 1956, there were 203 cooperative borrowers. As of April 30, 1958, 16 months later, there are still only 203 cooperative borrowers. Commercial borrowers had increased from 306 in December 1956 to 393 this past April, an increase of 87 borrowers.

Since the Secretary of Agriculture can have no information pertinent to decisions of the Rural Electrification Administration without a needless and wasteful duplication of the REA or Department staff and since he is an official subject at all times to political pressures, the members of the National Telephone Cooperative Association support the bill you have under consideration to the end that REA may be removed from the domination of the Secretary of Agriculture. The association feels that the entire responsibility should be replaced in the hands of the Administrator whose primary responsibility it is to administer the program effectively and without political partisanship.

Respectfully yours.

NATIONAL TELEPHONE COOPERATIVE
ASSOCIATION,
RIGGS SHEPPERD, *President*.

[NTCA annual meeting, 1958]

RESOLUTION No. 4

From: Legislative Committee.

Approved by: Resolutions Committee.

Whereas it was the original intent of Congress that the Rural Electrification Act should be administered in such a way as to reduce partisan political influences to the minimum; and

Whereas the Secretary of Agriculture is a political partisan subject at all times to political pressures; and

Whereas he or his appointees can have no information pertinent to decisions of the Rural Electrification Administration without a needless and wasteful duplication of the REA staff: Now, therefore, be it

Resolved, That we give our enthusiastic support to S. 2990, introduced by Senator Humphrey, and urge all of our friends in the Congress to support it to the end that REA may be removed from the political pressures of a partisan Secretary of Agriculture.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., March 3, 1959.

HON. WILLIAM L. DAWSON,
*Chairman, Committee on Government Operations,
House of Representatives, Washington, D.C.*

MY DEAR MR. CHAIRMAN: This will acknowledge your letter of January 20, your two letters of January 26, and your letter of February 20, inviting the Bureau of the Budget to comment, respectively, on H.R. 1321, H.R. 3029, H.R. 3192, and H.R. 4662, bills to amend Reorganization Plan No. 2 of 1953.

H.R. 1321, H.R. 3029, and H.R. 4662, identical bills, exempt the Rural Electrification Administration from section 1 of the reorganization plan, transfer to the Administrator of the Rural Electrification Administration all functions which were transferred from the Administrator to the Secretary of Agriculture by such plan, and make any action of the Administrator with respect to the approval or denial of loans the sole responsibility of the Administrator. H.R. 3192 differs from the above three bills only in that it would make any action of the Administrator his sole responsibility.

As we advised you in our letter of April 15, 1958, on a somewhat similar bill introduced in the 85th Congress, the proposed legislation would make it virtually impossible for the President and the Congress and through them, for the people to fix responsibility and accountability for the administration of the rural electrification and telephone programs. To reestablish accountability in the executive branch, the first Commission on Organization of the Executive Branch recommended, "Under the President, the heads of departments must hold full responsibility for the conduct of their departments. There must be a clear line of authority reaching down through every step of the organization and no subordinate should have authority independent from that of his superior." Following the recommendations of that Commission, the President and the Congress have cooperated in bringing such arrangements into force throughout most of the execu-

tive branch. The establishment of these arrangements has done much to restore the management integrity of our executive departments and bring about important improvements in operations, as well as to clarify accountability for results.

Regarding Reorganization Plan No. 2 of 1953 specifically, we believe that the plan has been important in enabling the Secretary to simplify and make efficient the operation of the Department of Agriculture and otherwise improve its management. As pertains to the Rural Electrification Administration particularly, we do not believe that its important programs have been in any way impaired by the taking effect of Reorganization Plan No. 2 of 1953. We believe that it would be a major step backward to exempt the Rural Electrification Administration from the sound management provisions that apply generally to the Department of Agriculture, and which are regarded as essential to responsible management of the entire executive branch.

For the foregoing reasons, we wish to advise that enactment of H.R. 1321, H.R. 3029, H.R. 3192, or H.R. 4662 would not be in accord with the program of the President.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

DEPARTMENT OF AGRICULTURE,
Washington, D.C., March 4, 1959.

HON. WILLIAM L. DAWSON,
*Chairman, Committee on Government Operations,
House of Representatives.*

DEAR CONGRESSMAN DAWSON: This is in reply to your requests of January 20 and 26, and February 20, 1959, for reports on H.R. 1321, H.R. 3029, H.R. 3192, and H.R. 4662, bills to amend Reorganization Plan No. 2 of 1953. H.R. 1321, H.R. 3029, and H.R. 4662, which are identical, would exempt the Rural Electrification Administration from section 1 of the plan, transfer to the Administrator of the Rural Electrification Administration all functions which were transferred from the Administrator to the Secretary of Agriculture by the plan, and make any action of the Administrator with respect to the approval or denial of loans under the Rural Electrification Act the sole responsibility of the Administrator. H.R. 3192 differs from these bills only in that it would make any action of the Administrator of the Rural Electrification Act the sole responsibility of the Administrator.

It is our recommendation that these bills should not be enacted.

The basic reasons for the adoption of Reorganization Plan No. 2 of 1953 were to centralize in the Secretary of Agriculture the responsibility and the authority for effective administration within the Department and to correct the patchwork assignment of statutory functions in the Department. It was determined that in this way departmental operations could be simplified and made more effective and the Secretary be enabled to adjust organization of the Department in order to achieve continuous improvements in operations to meet changing conditions.

The provisions of the bills requiring that specified actions of the Administrator shall be his sole responsibility connote action on his part independently of the general direction and supervision of the Secretary of Agriculture which was provided in section 5 of Reorganization Plan No. 2 of 1939. The approval or denial of loans is a most essential function of the REA Administrator. The requirement that this activity be his sole responsibility found in H.R. 1321, H.R. 3029, and H.R. 4662 has substantially the same effect as the more general language of H.R. 3192 which is directed at any action of the Administrator. The net effect of all these bills is to remove this function in the administration of the Rural Electrification Act from the general supervision and direction of the Secretary of Agriculture. The basic reason for the adoption of Reorganization Plan No. 2 of 1939 was to improve the administrative management of the executive branch by a more logical grouping of existing units and functions and by a further reduction in the number of independent units. In the message transmitting this plan, the President stated that the work of the Rural Electrification Administration in its educational as well as its lending functions is clearly a part of the rural life activities of the country and should therefore be administered in coordination with the agricultural activities of the Government. The Department is justifiably proud of the record of service and achievement which was written during this period of 20 years of the administration of the REA program within the Department. The present arrangement has worked well and should not be disturbed.

The basic considerations underlying these reorganization plans, insofar as they relate to the Rural Electrification Administration are applicable today as they were at the times of their adoption. Accordingly, the enactment of these bills, in our opinion, would prejudice and prevent the achievement of the basic objectives of the plans.

The Bureau of the Budget advises that enactment of this proposed legislation would not be in accord with the program of the President.

Sincerely yours,

E. T. BENSON, *Secretary.*

RURAL ELECTRIFICATION ADMINISTRATION—DELEGATIONS OF AUTHORITY AND ASSIGNMENT OF FUNCTIONS WITHIN THE DEPARTMENT OF AGRICULTURE, JANUARY 2, 1954

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE GENERAL COUNSEL,
Washington, D.C., June 12, 1958.

HON. WILLIAM L. DAWSON,
*Chairman, Government Operations Committee,
House of Representatives, Washington, D.C.*

DEAR CONGRESSMAN DAWSON: Pursuant to the request of Mr. Fascell at the hearings before the Executive and Legislative Reorganization Subcommittee of the Government Operations Committee on June 10, 1958, concerning the Rural Electrification Administration, I am pleased to submit the following information.

The authorities and responsibilities of the Administrator of the Rural Electrification Administration are governed by the "Delegations of Authority and Assignment of Functions" set forth in the order of the Secretary effective January 2, 1954, appearing in volume 19,

Code of Federal Regulations, chapter 74, a copy of which is enclosed. The following are excerpts from which order as it affects the Rural Electrification Administration.

“DELEGATIONS OF AUTHORITY AND ASSIGNMENT OF FUNCTIONS

“SEC. 100. *Authority.* The delegations in this document are made pursuant to authority vested in the Secretary of Agriculture by section 161, Revised Statutes (5 U.S.C. 22) and Reorganization Plan No. 2 of 1953, as well as all other statutes and prior reorganization plans vesting authority in the Secretary of Agriculture with regard to the functions of the Department of Agriculture.

“SEC. 101. *General purpose.* The purpose of this document is to provide as nearly as may be a general and concise authority under which the agencies of this Department are vested with authorities adequate to the discharge of their responsibilities. As a result of the terms of Reorganization Plan No. 2 of 1953, the Secretary of Agriculture is enabled to provide the subordinate officers and units of the Department with such delegations and assignments as he finds are necessary or desirable in relation to the functions performed.

“SEC. 102. *Relation to Office of the Secretary.* No delegation or authorization prescribed in this document shall preclude the Secretary from exercising any of the powers or functions or from performing any of the duties conferred herein and any such delegation or authorization is subject at all times to withdrawal or amendment by the Secretary. No delegation or authorization prescribed in this document shall preclude the exercise of any delegation or authorization otherwise provided to the Under Secretary, Assistant Secretaries, Administrative Assistant Secretaries, or Assistant to the Secretary for Agricultural Credit, or to the Staff agencies as provided in section 112 hereof.

“SEC. 103. *Responsibilities of Agency Heads.*—a. *Responsibility to the Secretary.* The delegations contained in this document are made subject to the general responsibility of the Secretary to the President and to the Congress for the administration of the Department. The head of each agency (1) will maintain close working relationships with the officer to whom he reports, (2) will keep him advised with respect to major problems and developments, and (3) will discuss with him proposed actions involving major policy questions or other important considerations or questions, including matters involving relationships with other agencies of this Department, other Federal agencies, or other governmental or private organizations or groups.

“b. *Responsibility for coordination of policies and operations.* It is the responsibility of each agency to consult and cooperate with other Department agencies when its activities relate to, affect, or are affected by the work of these agencies and to see that its policies, programs, and operations are coordinated with theirs, to the end that the Department operates with maximum unity and effectiveness.

“c. *Responsibility for efficient operation.* Agency heads, having broad authority to carry on the functions of their agencies, are responsible for seeing that the work of their agencies is efficiently administered and that the public obtains the fullest possible benefit for funds expended. To accomplish these objectives and to insure that the maximum possible improvements in programs and operations are

achieved, agency heads should see that periodic reviews are conducted as required by Executive Order 10072 and 5 U.S.C. 1151.

* * * * *

"SEC. 112. Delegations and authorizations to Service agencies shall be subject to such delegations and authorizations as are granted to Staff agencies by the Administrative Regulations or otherwise.

"GENERAL DELEGATION OF AUTHORITY

"SEC. 116. *Delegations of authority to agency heads.* The head of each agency shall, under the general direction and supervision of the Secretary of Agriculture and the Under Secretary, and the Assistant Secretary, the Administrative Assistant Secretary, or the Assistant to the Secretary in charge of Agricultural Credit to whom is assigned the general direction and supervision of his agency, direct and supervise the activities of the employees of his agency. Subject to any reservation of authority contained in the assignment of functions to the individual agency, or otherwise reserved in the Administrative Regulations, the head of any agency is hereby delegated authority to take any action, including the authority to execute any document, authorize any expenditure, and promulgate any rule, regulation, order or instruction, required by law or deemed by him to be necessary and proper to the discharge of the functions assigned to his agency. The head of any such agency may, consistent with and with due regard to his personal responsibility for the proper discharge of the functions assigned to his agency, delegate and provide for the re-delegation of his authority to appropriate officers and employees. Reservations of authority to the Secretary are subject to the provisions otherwise made for the authority of the Under Secretary and Assistant Secretaries.

* * * * *

"RURAL ELECTRIFICATION ADMINISTRATION

"ASSIGNMENT OF FUNCTIONS

"SEC. 1500. *Assignment of functions.* The following assignment of functions is hereby made to the Rural Electrification Administration:

"a. The rural electrification program.

"b. The rural telephone program.

"SEC. 1501. *Reservations—*a. *Reservations to the Secretary.* Requests and certifications to the Secretary of the Treasury in connection with loans to the Administrator of the Rural Electrification Administration for the rural electrification and rural telephone programs."

Reservations on program authority are expressly stated in the paragraph of the order assigning functions to the agency. In the case of Rural Electrification Administration such assignment and reservations are found in section 1500. The phrase in section 116 "or otherwise reserved by the Administrative Regulations" relates to administrative detail such as budget and personnel which functions are handled by staff agencies.

The authorities supporting the delegations contained in the above order are those cited in the first paragraph thereof, the principal authority being Reorganization Plan No. 2 of 1953.

Sincerely yours,

R. L. FARRINGTON,
General Counsel.

OTHER AGENCIES INDEPENDENT OF DEPARTMENTAL CONTROL

The status of REA, as provided by this bill, is not unique in the Federal establishment. The Federal Maritime Board, an agency within the Department of Commerce, was made so by Reorganization Plan No. 21 of 1950. The plan made the Board independent of the Secretary with respect to certain functions, but to be guided by his policies with respect to all others. The applicable language is as follows:

SECTION 106. STATUS OF BOARD AND CHAIRMAN

The Board shall be an agency within the Department of Commerce. The Board, in respect of the functions transferred to it by the provisions of section 104 of this reorganization plan, and the Chairman, in respect of so much of the functions transferred to him by the provisions of section 103 of this reorganization plan as relates to functions of the Board under section 104 hereof, shall be independent of the Secretary of Commerce. In administering all other functions transferred to them by the provisions of this reorganization plan the Board and the Chairman shall be guided by the general policies of the Secretary of Commerce with respect to such functions.

The General Counsel of the National Labor Relations Board was made independent of the Board in many respects (29 U.S.C. 153(d)). This section effected an important change over the earlier Wagner Act. It was designed to make the General Counsel an independent official appointed by the President and confirmed by the Senate for a term of years (*Lewis v. NLRB* 357 U.S. 10).

The Bureau of Mines is a constituent of the Department of the Interior, but certain decisions made by the Bureau are appendable, not to the Secretary of the Interior, but to the Federal Coal Mine Safety Board of Review which is an independent agency outside of the Interior Department (30 U.S.C. 475).

MINORITY REPORT

The undersigned cannot subscribe to the majority's action reporting out H.R. 1321, a bill to modify Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953, for the reasons:

1. There is no need for its enactment.
2. The bill, if enacted, would create an unworkable administrative anomaly.

1. There is no need for enactment of H.R. 1321

Three days of hearings in June 1958 on a similar measure introduced in the 85th Congress and 1 day of hearings on another version of this same bill have served to demonstrate that the proposed legislation is unnecessary and will achieve no useful purpose if enacted.

This proposal came into being apparently because of an informal arrangement suggested by Secretary Benson to REA Administrator Hamil in June 1957 involving loan applications of more than \$500,000 and applications from new borrowers. These were to be submitted to the Director of Agricultural Credit Services, Mr. Kenneth L. Scott, a longtime employee of the Department of Agriculture with a substantial background in agricultural credit matters, for his information and review. The hearings have amply demonstrated that this arrangement did not interfere in any way with the exercise by the REA Administrator of his discretion to grant or refuse loans, nor did it at any time appreciably delay action on loan applications. Although requested, not one instance has been cited by any of the witnesses supporting the bill where a loan applicant was prejudiced in any way by the referral arrangement.

The informal arrangement of June 1957 has been modified so that only generation and transmission loans in excess of \$1 million and new telephone loans are referred. This reduces very substantially the number of loans affected by the arrangement. On the basis of past experience, which was not and cannot be rebutted, these loans will be processed with the same dispatch as they were both before and after June 1957.

When the proponents and supporters of the proposal failed to establish any justification for its enactment in terms of past events, attempts were made to justify it on the basis of possible future developments. These were in terms of a "grave threat" which, it was alleged, hangs over the REA program—domination by the Secretary of Agriculture. We question seriously the necessity and the advisability of attempting by legislating now to forestall something that may happen in the unspecified future. Apart from this, the facts conclusively demonstrate that there is no substance at all to this "fear for the future."

The record of REA's electrification progress, as presented to the committee, for the past 6 years—a period during which REA was administered under the general direction and supervision of Secretary Benson, speaks eloquently for itself:

REA record—6 calendar years of the Eisenhower-Benson administration compared with preceding 18 years

[Dollars in millions]

	6 years 1953 through 1958	18 years 1935 to 1953	Total 1935 through 1958
A. Electrification:			
(a) Total new loan funds appropriated ¹	\$1,545	\$2,954	\$4,499
(b) Gross loans made.....	\$1,227	\$2,619	\$3,846
(c) Loans for generation and transmission facilities: ²			
Dollars.....	\$400	\$469	\$869
Percent of total loans.....	32.6	17.9	22.6
(d) Funds advanced.....	\$1,098	\$2,157	\$3,255
(e) Increase in net worth of borrowers.....	\$351	\$161	\$512
(f) Payments by borrowers:			
Principal.....	\$384	\$202	\$586
Interest.....	\$210	\$140	\$350
Increase in balance of payments ahead of schedule.....	\$87	\$52	\$139
(g) Number of delinquent borrowers:			
At beginning of period.....	45	0	-----
At end of period.....	6	45	-----
(h) Amount of payments in arrears:			
At beginning of period.....	\$0.7	0	-----
At end of period.....	\$0.1	\$0.7	-----

¹ Fiscal years 1954-59, 1935-53, and 1935 to 1959. In fiscal 1957, when an upsurge of loan applications developed unexpectedly, REA asked for \$200 million in supplemental funds. The Department of Agriculture, the Bureau of the Budget, the Congress, and the President of the United States all acted promptly to grant this requested additional lending authority.

² This is a loan purpose for which concern for the future was expressed by witnesses supporting the proposal.

Administrator Hamil furnished the committee with additional statistics demonstrating the remarkable progress of REA and REA-financed systems, both electric and telephone, during the calendar years 1953 through 1958. The outlook for the foreseeable future is excellent. The programs are in good hands. What plausible reason is there for anyone to fear for the future at the hands of a Secretary whose Department's views to the committee were prefaced with these words?

The Department is fully aware and very proud of REA's record of accomplishment and success, and of the unanimity of support and praise it has received from farmers and rural people, from farm organizations, and from legislators on both sides of the aisle here in Washington and in State capitols across the land. The Department has played its part in making that record. It regards very highly its 20 years of participation in these programs and looks forward to continuing its contribution in meeting the challenge of the future.

There is none. If and when a situation arises which warrants congressional action, appropriate action to meet then existing conditions and circumstances can be swiftly and effectively taken.

2. The bill, if enacted, would create an unworkable administrative anomaly

The bill reported by the majority is materially different from the measure which the committee considered in 1958. It was first proposed only that Reorganization Plan No. 2 of 1953 be made inapplicable to REA. When it developed at last year's hearings that enactment of such a proposal would leave the Secretary's authority under the 1939 reorganization plan virtually unaffected, another version was

introduced, making the actions of the Administrator in approving and denying loans his "sole responsibility." This was demonstrated by the testimony of competent witnesses at the recent hearings to be unworkable.

Assistant Budget Director William F. Finan pointed out that despite this wording, the Administrator would still be responsible to the President and the Congress and the Secretary would continue to have responsibility for many important aspects of REA administration, such as budget and personnel. Director Scott also raised serious questions as to the meaning and effect of the language of the proposal before the committee. He stated that the approval or denial of loans is a most essential function of the REA Administrator. If the phrase "sole responsibility" means, Mr. Scott testified, that—

all decisions as to the policies, procedures, and personnel which are the vital, indispensable ingredients of the loan process are to be made solely by the Administrator, then the effect of these proposals would be to remove REA substantially in its entirety from the general supervision and direction of the Secretary.

This, Mr. Scott further stated—

would strike down Reorganization Plan No. 2 and destroy its objectives insofar as they pertain to REA.

The observations made by Messrs. Finan and Scott are generally applicable to the bill which the majority recommends for passage. The majority proposes that REA be left within the Department of Agriculture but that the functions and activities of REA be retransferred from the Secretary to the Administrator. These functions and activities are to be exercised and administered within the Department by the Administrator under the general direction and supervision of the Secretary of Agriculture. This language has the semblance of leaving REA where Reorganization Plan No. 2 of 1939 placed it. But the majority goes one important and illogical step further. It says the Administrator shall not be subject to the Secretary's supervision and direction in exercising the functions relating to the approving or disapproving loans.

The loan function is the very reason for REA's existence. If the intent of the majority is to exclude all functions in the loan process, including formulation of loan policies and appointment of personnel, from the Secretary's supervision and direction, the Secretary is left with nothing of substance to supervise and direct. Under such an interpretation, the Administrator would be responsible directly to the President and to the Congress for his actions. The essential purposes of Reorganization Plan No. 2 of 1939 as well as those of the 1953 plan would be destroyed so far as they relate to REA.

This intent is not clearly spelled out. A literal reading of the bill reported by the majority would leave subject to the Secretary's direction and supervision all of the functions and activities of REA except the bare function of approving and disapproving loans. The Administrator in other vital aspects of administering the Rural Electrification Act and the agency would continue to be subordinate to the Secretary, and subject to his direction, supervision, and control, and to the regulations prescribed by him for the government of the Department,

the conduct of its officers and clerks, the distribution and performance of its business (other than the act of approving or refusing to approve loans), and the custody, use, and preservation of the records, papers, and property appertaining to it (5 U.S.C. 22). The preparation and submission of annual loan and administrative fund budgets, the appointment and supervision of personnel, the formulation of loan and other administrative policies and procedures, and all the other activities and functions associated with the administration of REA would continue to be under the Secretary's direction and supervision.

Such an arrangement, in the opinion of the minority, is unworkable. We point to the anomalous nature of an organization wherein all functions and activities which support the final act of loan approval or disapproval are supervised by the director or the official who performs that final act, but the act itself is removed from direction and supervision, and must be performed without coordination with the supporting functions and activities.

If the minority have erred in their interpretation of the proposal—a reasonable possibility in view of its ambiguous and uncertain nature—we submit that it is not ready for consideration by the Congress. The best fate it deserves is resubmission to the committee with direction to remove the anomalies, uncertainties, and ambiguities before it is returned to the Congress for debate and adoption or rejection.

The undersigned represent that the Congress would do no service to the REA program by adopting the proposal in its present form. We have the fortunes of this important agency as much at heart as those of the majority. We concur fully in the Secretary's statement that the basic considerations underlying the reorganization plans of 1939 and 1953, insofar as they relate to REA, are as applicable today as they were at the time of their adoption. We recommend to the Congress careful consideration of the closing paragraph of the Secretary's statement presented to this committee at the preceding session of the Congress:

The benefits of rural electrification and rural telephones have, through the years since REA's inception a quarter century ago, been extended to the people of rural America without regard to creed, color, or politics. From these grass-roots people come the strength and soundness of these programs. The programs have had consistent nonpartisan support in the Congress and from successive national administrations. We hope to keep it that way. (Hearings on H.R. 11762, 85th Congress, 2d sess., p. 171-2.)

CLARE E. HOFFMAN.
R. WALTER RIEHLMAN.
GEORGE MEADER.
CLARENCE J. BROWN.
FLORENCE P. DWYER.
JOE HOLT.
ROBERT P. GRIFFIN.
GEORGE M. WALLHAUSER.
JESSICA MCC. WEIS.
ROBERT R. BARRY.

ADDITIONAL VIEWS

We oppose H.R. 1321 to modify Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953, because, in our judgment, it adopts an erroneous principle of administration. Instead of tightening controls and establishing clear channels of authority and responsibility, it moves in the direction of fragmenting and dispersing authority and responsibility.

If we continue to create autonomous administrations outside departments or, even though they may be inside departments, not subject to the control and regulation of the department head who, in turn, as a member of the Cabinet, is responsible to the President, we will find that we have created an uncontrollable and chaotic situation not only outside the power of the President to maintain order and consistency in administration policy, but likewise more difficult for the Congress to examine and control.

Proper administration, in our judgment, requires further tightening of authority and establishing clearer channels of command, not in diffusion and fragmentation such as will be the result if not the obvious purpose of H.R. 1321.

GEORGE MEADER.
ROBERT GRIFFIN.
CLARE E. HOFFMAN.

86TH CONGRESS
1ST SESSION

H. R. 1321

[Report No. 235]

IN THE HOUSE OF REPRESENTATIVES

JANUARY 7, 1959

Mr. PRICE introduced the following bill; which was referred to the Committee on Government Operations

MARCH 20, 1959

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend Reorganization Plan Numbered 2 of 1953.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 ~~That section 1 of Reorganization Plan Numbered 2 of 1953~~
4 ~~shall not hereafter apply to the Rural Electrification Admin-~~
5 ~~istration, and there are hereby transferred to the Adminis-~~
6 ~~trator of the Rural Electrification Administration all func-~~
7 ~~tions which were transferred from the Administrator to the~~
8 ~~Secretary of Agriculture by such reorganization plan; and~~
9 ~~notwithstanding the provisions of section 5 of Reorganization~~
10 ~~Plan Numbered 2 of 1939, or the provisions of any other~~
11 ~~law, any action of the Administrator of the Rural Electrifica-~~

1 tion Administration with respect to the approval or denial
2 of loans authorized to be made under the provisions of the
3 Rural Electrification Act of 1936, as amended, shall be the
4 sole responsibility of the Administrator.

5 *That the functions and activities of the Rural Electrification*
6 *Administration and the Administrator of the Rural Electri-*
7 *fication Administration which were transferred to the Depart-*
8 *ment of Agriculture and to the Secretary of Agriculture by*
9 *Reorganization Plan No. II of 1939 and Reorganization*
10 *Plan No. 2 of 1953 are hereby transferred to the Adminis-*
11 *trator of the Rural Electrification Administration, and shall*
12 *be exercised and administered within the Department of*
13 *Agriculture by such Administrator under the general direc-*
14 *tion and supervision of the Secretary of Agriculture; except*
15 *that insofar as such functions relate to the approval or dis-*
16 *approval of loans authorized to be made under the Rural*
17 *Electrification Act of 1936, as amended, their exercise by*
18 *the Administrator shall not be subject to the supervision or*
19 *direction of, or to any other control by, the Secretary of*
20 *Agriculture.*

Amend the title so as to read: "A bill to modify Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953."

THE NEW YORK PUBLIC LIBRARY
ASTOR LENOX TILDEN FOUNDATION
155 E. 42ND ST. N.Y.C.

RECEIVED

APR 10 1901

THE NEW YORK PUBLIC LIBRARY
ASTOR LENOX TILDEN FOUNDATION
155 E. 42ND ST. N.Y.C.

THE NEW YORK PUBLIC LIBRARY
ASTOR LENOX TILDEN FOUNDATION
155 E. 42ND ST. N.Y.C.

APR 10 1901

APR 10 1901

APR 10 1901

80TH CONGRESS
1ST SESSION

H. R. 1321

[Report No. 235]

A BILL

To amend Reorganization Plan Numbered 2
of 1953.

By Mr. PRICE

JANUARY 7, 1959

Referred to the Committee on Government Operations

MARCH 20, 1959

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued March 25, 1959
For actions of March 24, 1959
86th-1st. No. 48

Acreage allotments.....	47		
Appropriations.....	1		
Area redevelopment.....	21		
ASC committees.....	53		
Assistant Secretaries...	51		
Budget.....	10		
Civil defense.....	1		
Claims.....	48		
Commodity exchange.....	38		
Conservation.....	23		
Contracts.....	13		
Cooperatives.....	25		
Credit unions.....	45		
Durum wheat.....	47		
Economic policy.....	11		
Education.....	49		
Electrification.....	7,16,33,34		
Ethics.....	12		
Fair trade.....	22		
Family farm.....	25		
Farm credit.....	42		
Farm income.....	25,27		
Farm labor.....	26		
Farm loans.....	43		
Farm program.....	25		
Federal aid.....	41		
Federal-State relations...	9		
Foreign aid.....	1,24		
Foreign trade.....	25,37		
Forestry.....	2,15		
Grains.....	30		
Highways.....	41		
Information.....	18,19,39		
Labor.....	3		
Lands.....	35		
Leave.....	36		
Markets.....	32		
Military training.....	54		
Milk.....	6		
Minimum wage.....	3		
Mining.....	50		
Outdoor recreation.....	1		
Personnel.....	12,14,36,49,53		
Postal rates.....	5		
Prices.....	32		
Property.....	9,13,52		
Public debt.....	31		
Public Law 480.....	37		
Publications.....	18		
REA.....	7		
Reclamation.....	15		
Research.....	29		
Retirement.....	36		
Science.....	29		
Special milk.....	6		
Surplus commodities.....	28		
Taxation.....	9,52		
Tobacco.....	46		
Transportation.....	34		
Turkeys.....	44		
Unemployment.....	4,20		
Veterans benefits.....	49		
Water compact.....	40		
Water resources.....	8		
Wheat.....	47		
Wilderness.....	17		

HIGHLIGHTS: House passed second supplemental appropriation bill. Senate committee reported bill to give REA independent status. Senate committee reported bill to increase special milk program. Sen. Langer introduced and discussed bill to extend P. L. 480 for five years.

HOUSE

1. APPROPRIATIONS. Passed with amendments H. R. 5916, the second supplemental appropriation bill for 1959. pp. 4539-81

Agreed to the following amendments:

By Rep. Rooney, 183 to 59, to provide an additional \$100,000,000 for advances to the Development Loan Fund for the foreign aid program. pp. 4556-60, 4581

By Speaker Rayburn to provide an additional \$100,000 for the Outdoor Recreation Resources Review Commission. pp. 4568-9

Rejected an amendment by Rep. McGovern which would have reduced the item for the Office of the Secretary of Agriculture from \$186,755 to \$112,053. p. 4578

A point of order was sustained against an amendment by Rep. Durham which would have provided an additional \$3 million in Federal contributions to States for civil defense purposes. p. 4576

2. FORESTRY. Both Houses received from this Department a report, "Program for the National Forests"; to H. Agriculture and S. Agriculture and Forestry and Interior and Insular Affairs Committees. pp. 4538, 4591, A2607-12
3. MINIMUM WAGES. Rep. Rodino urged enactment of legislation to increase the national minimum wage to \$1.25. pp. 4581-2
4. UNEMPLOYMENT. Rep. Dingell expressed his concern over the unemployment situation and urged enactment of legislation for Federal assistance to economically depressed areas. p. 4587
5. POSTAL RATES. The Post Office and Civil Service Committee reported with amendment H. R. 4595, to clarify and make uniform certain provisions of law relating to special postage rates for educational, cultural, and library materials (H. Rept. 252). p. 4591

SENATE

6. SCHOOL MILK. The Agriculture and Forestry Committee reported without amendment H. R. 5247, to increase by \$3,000,000 the authorized maximum expenditure for the fiscal year 1959 under the special milk program (S. Rept. 143). p. 4496
7. ELECTRIFICATION. The Government Operations Committee reported with amendments S. 144, to amend Reorganization Plan No. 2 of 1953 so as to exempt REA from the plan. (S. Rept. 142). p. 4496
8. WATER RESOURCES. The Interior and Insular Affairs Committee reported with amendments S. Res. 48, establishing a committee to study the matter of the development and coordination of water resources (S. Rept. 145). p. 4496
9. INTERGOVERNMENTAL RELATIONS. Sen. Humphrey urged support of S. 910 which would establish a 5-year program of payments in lieu of taxes to local governments who have suffered losses because of immunity of Federal property, and inserted a statement favoring the bill. pp. 4502-4
10. BUDGET. Sen. Bush inserted an editorial criticizing the Democrats for playing "bookkeeping games" and "politics" with the President's budget. pp. 4515-6
11. ECONOMIC POLICY. Sen. Bennett criticized a speech by Sen. Gore for not mentioning the preservation of the free enterprise system, for proposing "restrictions on the economy" and for accusing Republicans of using "high interest rates to injure ... Democrats." pp. 4519-29
12. GOVERNMENT ETHICS. Agreed to H. Con. Res. 15, providing for the printing of the "Code of Ethics for Government Service" as a House document. p. 4536
13. ADMINISTRATION; PROPERTY. The Government Operations Committee reported without amendment S. 900, to extend the authority of GSA to pay direct expenses in connection with the utilization of excess real property. (S. Rept. 138). p. 4496
The Government Operations Committee reported S. 901, ^{without amendment} to authorize GSA to make contracts for cleaning and custodial services for periods not exceed 5 years (S. Rept. 139). p. 4496

MODIFYING REORGANIZATION PLAN NO. II OF 1939 AND REORGANIZATION PLAN NO. 2 OF 1953

MARCH 24, 1959.—Ordered to be printed

Mr. HUMPHREY, from the Committee on Government Operations,
submitted the following

R E P O R T

together with

INDIVIDUAL VIEWS

[To accompany S. 144]

The Committee on Government Operations, to whom was referred S. 144, a bill to amend Reorganization Plan No. 2 of 1953, having considered the same, report favorably thereon, with amendments, and recommend that the bill, as amended, do pass.

The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

That the functions and activities of the Rural Electrification Administration and the Administrator of the Rural Electrification Administration which were transferred to the Department of Agriculture and to the Secretary of Agriculture by Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953 are hereby transferred to the Administrator of the Rural Electrification Administration, and shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture; except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture.

Amend the title so as to read:

A bill to modify Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953.

PURPOSE

The purpose of S. 144 is to restore to the Administrator of the Rural Electrification Administration the statutory authority for the granting

of rural electrification loans vested in him by the Rural Electrification Act of 1936 (Public Law 605, 74th Cong.).

This authority was transferred to the Secretary of Agriculture by Reorganization Plan No. 2 of 1953, which transferred all functions of all officers, employees, and agencies of the Department of Agriculture, with certain exceptions therein noted, to the Secretary of Agriculture. (See Reorganization Plan No. 2 of 1953, app. I.)

In addition, Reorganization Plan No. II of 1939, which originally transferred the Rural Electrification Administration to the Department of Agriculture provided that it should be administered by the Administrator under the "general direction and supervision" of the Secretary of Agriculture. The courts have held that this authority includes the power of approving or rejecting REA loans.

Section 5 of Plan No. II of 1939 reads:

SEC. 5. DEPARTMENT OF AGRICULTURE: RURAL ELECTRIFICATION ADMINISTRATION TRANSFERRED.—The Rural Electrification Administration and its functions and activities are hereby transferred to the Department of Agriculture and shall be administered in that Department by the Administrator of the Rural Electrification Administration under the general direction and supervision of the Secretary of Agriculture.

S. 144, as amended, would make the authority vested in the Secretary of Agriculture by these reorganization plans over the operations of the Rural Electrification Administration inapplicable with respect to the approval or denial of REA loans, which authority would be vested directly in the REA Administrator.

The bill, however, would not transfer the Rural Electrification Administration from the Department of Agriculture where it would continue to be administered under the general direction of the Secretary of Agriculture, along with other agricultural credit agencies, as at present.

FINDINGS

The Committee on Government Operations recommends the enactment of S. 144, after extensive examination of the operations of the Rural Electrification Administration since its establishment in 1936. In taking this action the committee bases its recommendation on the following factors:

(1) It was clearly the intent of the Congress when it established the Rural Electrification Administration that all of its powers should be exercised by the REA Administrator. Section 1 of Public Law 605, 74th Congress, as originally enacted, reads:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby created and established an agency of the United States to be known as the "Rural Electrification Administration", all of the powers of which shall be exercised by an Administrator * * *.*

(2) It is also clear it was the intent of the Congress that the authority to grant rural electrification loans should be lodged directly in the REA Administrator, subject to the terms of the Rural Elec-

trification Act. Section 2 of Public Law 605, 74th Congress, specifically authorized the REA Administrator to make loans, as follows:

The Administrator is authorized and empowered to make loans in the several States and Territories of the United States for rural electrification and the furnishing of electric energy to persons in rural areas who are not receiving central station service, as hereinafter provided * * *.

(3) It is also clear that it was the intent of the Congress that the Rural Electrification Administration should be administered on a non-political or nonpartisan basis. Section 9 of Public Law 605, 74th Congress, reads:

This Act shall be administered entirely on a nonpartisan basis, and in the appointment of officials, the selection of employees, and in the promotion of any such officials or employees, no political test or qualification shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency.

(4) As noted above, Reorganization Plan No. 2 of 1953 transferred all functions of the Rural Electrification Administration, including the REA Administrator's authority to grant loans, to the Secretary of Agriculture.

Although the present Secretary of Agriculture has delegated the performance of these functions to the present REA Administrator, it is the committee's finding that the vesting of the Rural Electrification Administrator's powers in the Secretary of Agriculture conflicts directly with longstanding congressional intent expressed in the basic Rural Electrification Act.

It is, therefore, the committee's conclusion that, in the best interests of the rural electrification program, the powers specifically granted the REA Administrator by Public Law 605 of the 74th Congress relating to the granting of rural electrification loans should be restored.

THE REA UNDER REORGANIZATION PLAN NO. 2 OF 1953

Plan No. 2 of 1953 became effective July 1, 1953. On that date all functions of the REA Administrator and/or the Rural Electrification Administration were transferred to the Secretary of Agriculture.

On January 2, 1954, Secretary of Agriculture Benson, in an administrative order (Federal Register, Jan. 6, 1954, 19 F.R. 74), formally assigned the rural electrification program and the rural telephone program to the Rural Electrification Administration, thus delegating the functions vested in him by Plan No. 2 of 1953 to the REA Administrator for performance on his behalf.

By previous administrative action, Secretary Benson, on January 21, 1953, had realigned the various operating agencies within the Department of Agriculture into major groups. REA, along with the Farmers Home Administration and the Farm Credit Administration, was placed in the "Agricultural Credit Group" to report to the Secretary of Agriculture through the Director of Agricultural Credit.

Review of the above actions taken by the Secretary of Agriculture reveals there has been no reorganization of the Rural Electrification

Administration, per se, except for its inclusion within Agricultural Credit Services Group for supervision by its Director.

However, early in June of 1957, 4 years after Plan No. 2 of 1953 became effective, REA Administrator David A. Hamil was directed to submit to Kenneth L. Scott, Director of Agricultural Credit Services, all REA loan applications in excess of \$500,000 before granting them. Shortly thereafter he was directed to submit all new loan applications regardless of the amount to Mr. Scott's office for review, but this was subsequently changed to apply to loans in excess of \$1 million only.

COMMITTEE HEARINGS

As a result of this change in the procedure for approving loans, extensive hearings were held by the Subcommittee on Reorganization of the Committee on Government Operations during the 85th Congress on S. 2990, a bill identical to S. 144, as it relates to Reorganization Plan No. 2 of 1953.

The hearings were held following widespread concern among rural electric cooperative associations over the aforementioned change in the handling of REA loans. Some 75 to 100 representatives of these associations from a dozen different States attended the subcommittee hearings. Twenty either testified or submitted statements to the subcommittee strongly opposing the new procedure relating to the approval of REA loans. They all highly commended REA Administrator David A. Hamil, but expressed apprehension as to the future of the REA program under the existing loan review policy. Without exception, they recommended restoration of the REA Administrator's independent authority over the approval of loans.

When the Secretary of Agriculture appeared before the subcommittee on June 5, 1958, he commented upon the newly established procedure for reviewing loans, as follows:

I have asked Mr. Hamil to refer to the Director of Agricultural Credit Services, for his information and for possible discussion, contemplated loans exceeding a half million dollars and loans to new borrowers.

This request in no way curtailed the Administrator's authority for final approval of loans. Administrator Hamil says that this has not interfered with his authority to make loans.

Mr. Scott, as Director of Agricultural Credit Services and as a member of my staff, is in a position to provide valuable assistance to the Administrator and to REA and to furnish coordination with the other agricultural activities of the Government.

The need for such coordination was a basic reason for the Reorganization Plan No. 2 of 1939, as stated in President Roosevelt's message submitting that plan to the Congress.

As to whether Mr. Scott has authority to reject REA loans after they have been forwarded by the REA Administrator to his office for review, the Secretary stated:

I think there is no question but what since 1939, when President Roosevelt's Reorganization Plan No. 2 was approved that the Secretary has the authority to refuse loans,

to turn them down. I have not given such authority to Mr. Scott. I assume I could delegate that authority if I wished.

Mr. Scott testified subsequently that, although he does not have the authority to reject a loan, he has on occasions suggested a certain "course of action" to the REA Administrator in the handling of loans. He testified further that if he disagreed on a matter of major policy with the REA Administrator he would suggest that they take the matter up with the Secretary, stating:

Well, if I felt strongly enough that the REA should not make a loan, I certainly would tell Dave (Hamil) that he should not make that loan until he discussed it with the Secretary.

Mr. Scott further clarified his position in the chain of command within the Department of Agriculture with relation to approval of REA loans in testimony before the House Committee on Government Operations on June 13, on H.R. 11762, a companion bill to S. 2990, when, in a colloquy with Committee Counsel James Lanigan, he testified as follows:

Mr. LANIGAN. Why were you to review them (loans) before?

Mr. SCOTT. Well, if you are going to have any influence on policies on a loan, certainly the time to discuss it is before the loan is made.

Mr. LANIGAN. Then you were a means of the Secretary exerting influence on the making or not making of the loan through some policy that he has.

Mr. SCOTT. Well, here is the Secretary, as I understand the situation, with some very real responsibility over this agency. Now, if we are going to have any influence on loan actions, certainly as a credit man I want to be there before the final decision is made. The record shows, and I am delighted that that has been the thinking of both of the Administrators that have been there, and myself since I have been in this position, the record shows that they have made the loans on the basis that were submitted to them by their staff people, but I certainly think that if we are going to review loans in any serious capacity, we ought to do it before the check is drawn.

Mr. LANIGAN. You indicated that so far Mr. Hamil has made every loan that you have reviewed. Now, have you found a situation in which he had proposed to make a loan which you thought was wrong from a policy standpoint, or the Secretary's policy, not the technicalities of the law, will you call that to the Secretary's attention for his action before Mr. Hamil acted on the loan?

Mr. SCOTT. Well, yes, indeed. If that should ever happen, a loan that I felt very strongly should not be made, that Mr. Hamil and I couldn't agree on the matter, we would go up and talk to the Secretary about it.

Mr. LANIGAN. As was mentioned the other day, and no sense of derogation, you are the Secretary's watchdog in this matter.

Mr. SCOTT. Well, that would be a way of describing it.

CONCLUSIONS

From the foregoing it is evident that Mr. Scott reviews REA loan applications for the Secretary of Agriculture before they are granted. Secondly, it is obvious that if Mr. Scott were strongly opposed to the granting of an REA loan by the REA Administrator the matter would be taken to the Secretary of Agriculture for decision. Thirdly, there is no question that the Secretary has the authority to reject or disapprove an REA loan.

The inescapable conclusion is that the final decision on approval of an REA loan on which disagreement existed within the Department of Agriculture would not be made by REA Administrator David A. Hamil but, following review of the matter by Mr. Scott, by the Secretary of Agriculture. Whether Mr. Scott's view or Mr. Hamil's would prevail is an unanswerable question.

This, in the opinion of the majority of the committee is a basic departure from the congressional intent of the Rural Electrification Act of 1936—that a totally independent REA Administrator, completely removed from outside pressures, have absolute authority over the granting of REA loans.

In conclusion, therefore, but with no reflection whatsoever upon the Secretary of Agriculture, it is the view of the majority of the committee that the REA Administrator's authority for the granting of loans as established by the Rural Electrification Act be restored, as provided by S. 144, as amended.

INDIVIDUAL VIEWS OF SENATOR HOMER E. CAPEHART

I strongly dissent from the action of the majority in reporting favorably S. 144.

S. 144, AS REPORTED BY THE MAJORITY, IS RADICALLY AND DANGEROUSLY DIFFERENT FROM S. 144, AS INTRODUCED

S. 144, as originally introduced, was substantially the same as S. 2990, 85th Congress. Like S. 2990, it made Reorganization Plan No. 2 of 1953 inapplicable to REA and retransferred to the REA Administrator all functions which were transferred to the Secretary of Agriculture by that plan. It further provided that, notwithstanding the provisions of section 5, Reorganization Plan No. 2 of 1939 or of any other law, any action of the REA Administrator with respect to the approval or denial of loans shall be his sole responsibility.

As ordered reported by the majority, substitute S. 144 bears little resemblance to either S. 2990 or S. 144. In its present form, it is ambiguous, unworkable, and inconsistent with sound principles of Government administration. In addition to these defects, it threatens to disrupt the continued operation of the agency.

The substitute bill would retransfer to the REA Administrator the REA functions and activities which were transferred to the Department of Agriculture and the Secretary of Agriculture by Reorganization Plans Nos. II and 2 of 1939 and 1953. These functions and activities are to be exercised and administered within the Department of Agriculture under the general direction and supervision of the Secretary.

Close examination of these provisions discloses that they attempt to dereorganize REA out from under both the 1939 and 1953 plans and then to bring REA functions and activities back into the Department of Agriculture to be exercised and administered there "under the general direction and supervision of the Secretary of Agriculture," with one important exception which is discussed further in this report.

The above quote is the same as the language of section 5 of Reorganization Plan No. II of 1939. But that plan did a great deal more than transferring functions and activities. Section 402 transferred all records and property and personnel used in the administration of agencies and functions affected by the plan to the departments to which the agencies were transferred. Section 403 transferred unexpended balances of appropriations or other funds available for the use of such agencies in the exercise of their functions to the departments to which the agencies were transferred. And section 404 vested in the heads of departments all functions relating to personnel which were vested by law in any officers of the departments other than the heads thereof.

Section 5 of Reorganization Plan No. 2 of 1953 also gave the Secretary authority to make transfers of records, property, personnel, appropriations, allocations and other funds as he deems necessary to carry out the plan.

The majority has overlooked these important provisions of both plans. If substitute S. 144 is enacted as reported, the Administrator of REA will find himself repossessed of the "functions and activities" of the Rural Electrification Administration but without the means wherewith to exercise and administer them whether with or without the general direction and supervision of the Secretary. The means—property, records, personnel and funds—remain with the Secretary. But he cannot exercise and administer the "functions and activities" because S. 144 takes them away from him. Nor has he any authority to transfer the means to do so to the Administrator. Under the bill, the Administrator has the horse but no feed; the Secretary has the feed but no horse.

S. 144, which started out as the successor of a bill designed to save REA, has now become a most effective bill to destroy REA. Substitute S. 144, as recommended by the majority, is a "ripper bill."

S. 144, AS REPORTED, IS AN ADMINISTRATIVE MONSTROSITY

As stated above, the bill purports to retransfer to the REA Administrator all REA functions and activities to be exercised and administered within the Department of Agriculture under the general direction and supervision of the Secretary of Agriculture with one important exception.

The exception is that the exercise by the Administrator of functions relating to the approval or disapproval of loans shall not be subject to the supervision or direction of the Secretary. Disregarding for present purposes the important question whether the Administrator could under the provisions of the bill make or deny any loans at all, the majority says he must exercise this function completely independently of the Secretary.

This provision is completely inconsistent with the administration of REA as an agency within and a part of the Department of Agriculture. The making of loans is the most fundamental function of REA. If this function is to be entirely independent of the Secretary's direction, supervision and control, the realities of the situation dictate nothing short of reconstituting REA as an independent agency.

Interpreted logically, the majority's bill would create a most illogical mess. It would give the Administrator the functions and the activities of REA; leave with the Secretary the means wherewith to exercise and administer them; repose with the Secretary the authority to supervise and direct the Administrator in conducting the functions and activities but no authority to give the Administrator the resources which he needs to function; and winds up by telling the Secretary he cannot supervise the Administrator in the most fundamental function, loanmaking. The fragmentation of authority proposed by the majority is an administrative monstrosity.

HEARINGS ON S. 144 ARE NEEDED BEFORE LEGISLATIVE ACTION IS TAKEN

S. 144 was reported out of committee without any hearings having been held. The Department's March 4, 1959, report on S. 144 was directed at a bill which is radically different from that which has been substituted by the majority. I strongly feel that it would be a substantial disservice to the REA program to enact the substitute bill without giving all parties in interest, REA, the Department of Agri-

culture, the rural electric and telephone systems, and their organizations an opportunity to study and ponder awhile on the effect of its enactment. It is no answer to say that lengthy hearings were held in the last Congress on S. 2990, a bill on the same subject matter. S. 2990 and the substitute S. 144 have very little resemblance to each other.

NO LEGISLATIVE ACTION IS NEEDED

If the committee's experience at the June 1958 hearing is relied upon, a dispassionate nonpartisan review of the 300 pages of the printed record demonstrates conclusively that there is no need for legislation dealing with REA vis-a-vis its position in and relationship to the Department and Secretary of Agriculture.

The constantly reiterated theme of the witnesses supporting the proposal to dereorganize REA back to its post-1939 and pre-1953 status was that congressional action was needed to save REA from destruction at the hands of the Department and the Secretary.

The single act constantly referred to by these witnesses was an informal arrangement made at Secretary Benson's suggestion in June 1957 that certain loans be referred to the Director of Agricultural Credit Services for review and discussion. Members of the subcommittee inquired of the parade of witnesses who came from REA-financed systems as to the extent to which this procedure had prejudiced action on loan applications or harmed the REA programs. Several were asked for general appraisals of the present administration's conduct of the programs. Their replies, taken verbatim from the printed record, speak eloquently for themselves:

Witness F. E. Fair, general manager, Eastern Iowa Light & Power Cooperative, Wilton Junction, Iowa:

Senator CAPEHART. I think your statement is excellent and I just have one question: Have you had any lack of cooperation in any loans refused by your organization on the part of Mr. Hamil, or Mr. Benson, or REA?

Mr. FAIR. No, sir.

Senator CAPEHART. Do you know of any instances in the State of Iowa where there has been a lack of cooperation or withholding of loans or a delay in the granting of loans?

Mr. FAIR. No, sir (p. 155).

Witness M. T. Potts, manager of the Sam Houston Electric Cooperative, Inc., Livingston, Tex.:

Senator LAUSCHE. Mr. Potts, you are putting this request on the basis that philosophically this agency ought to be autonomous and free from direction of any of the incumbent political officials; is that correct?

Mr. POTTS. That is correct. I would say that we have been very well satisfied with the administration of REA through the various administrations.

Senator LAUSCHE. And, even now, you are highly satisfied with the services which you are getting?

Mr. POTTS. That is correct, sir (p. 163).

Witness Truman Green, Central Electric Power Cooperative, Jefferson City, Mo.:

Senator CURTIS. * * * However, your complaint is not directed at REA—

Mr. GREEN. Not all. We are perfectly satisfied with the operation of REA today (p. 195).

Witness H. W. Eaton, manager, Morgan County Rural Electric Membership Corp., Morgan County, Ind.:

Senator CAPEHART. * * * Have you any recent complaints about any loans or lack of loans in your organization?

Mr. EATON. We have no loans pending. We have not had any for several years. We have had the best of relationships with REA. We are receiving the best of service, but we would like to be assured and I might say that that was a topic of long discussion at our last statewide board of directors meeting, that we continue to be served that type of—

Senator CAPEHART. Do you have any specific interest or reason to believe that anybody is conniving to eliminate REA?

Mr. EATON. No, sir. We would like to keep it that way (pp. 203-204).

Witness S. A. Forseth, manager, Williams Electric Cooperative, Inc., Williston, N. Dak.:

Senator CAPEHART. * * * Do you have any specific knowledge of any loans that the REA over the last number of years has turned down or failed to make within a reasonable length of time? Or any injury that they have done to REA through virtue of refusing to do something?

Mr. FORSETH. Williams Electric has had no loan pending for many years until just within the past couple of months, when we have had one, and that, of course, we don't expect to have action on yet.

Senator CAPEHART. Do you know of any other co-op in your State that has had a loan turned down or an unusual delay?

Mr. FORSETH. No; I do not (p. 224).

Witness Robert B. Awbrey, manager, Marlboro Electric Cooperative, Inc., Bennettsville, S.C.:

Senator CAPEHART. You just said a minute ago as far as you know the administration has been excellent up to this time and there has been no interference.

Mr. AWBREY. Senator, I haven't argued against the administration. I believe that you have in Mr. Hamil one of the finest men I ever knew. I will tell you this. His political religion and mine are different, but I will support him, I will tell you that. I believe in him. I think he is a fine man (p. 250).

Witness Henry T. Swenson, president, Burke-Divide Electric Cooperative, Inc.:

Senator CURTIS. We are very glad to have you here and I would like to ask you, is the REA doing a good job?

Mr. SWENSON. Yes; it has been, so far as I know.

Senator CURTIS. And the applications are being granted and treated all right?

Mr. SWENSON. I might state this, that in most cases, as to the applications in our area, there have not been many additional applications.

Senator CURTIS. Those have been filed and treated all right?

Mr. SWENSON. So far as I know they have.

Senator CURTIS. The other affairs have been handled all right?

Mr. SWENSON. Certainly as far as I know. I don't know everything, but so far as I know they have (p. 275).

These statements, taken together with the assurances by Secretary Benson, Agricultural Credit Services Director Scott, REA Administrator Hamil that final decisions on loans are made by the Administrator, demonstrate conclusively that the proposed legislation is not needed to remedy any claimed abuses in the administration of REA. There was no testimony offered that a single loan which was ready for administrative approval and which met the conditions of the Rural Electrification Act had been denied. The table appearing on pages 280-283 of the printed record, requested by the committee and furnished by REA, listing each loan referred to Mr. Scott, shows that the referrals caused no delay of any consequence in the loan process. There is no justification whatever, in terms of past experience, for enactment of the bill.

Some of the witnesses expressed fears for the future—fears that domination by the Secretary of Agriculture, any Secretary, threatens the REA program. This is indeed a nebulous basis for legislation. In the absence of something more concrete, there is no ground for attempting to forestall by legislation—of doubtful effect—future events which may never transpire.

The REA record under the Eisenhower-Benson administration adequately rebuts any argument for changing the present statutory arrangement. I quote that record as set forth at page 25 of the minority report appended to House Report No. 235 on the companion bill to S. 144 in the other House:

REA record—6 calendar years of the Eisenhower-Benson administration compared with preceding 18 years

[Dollars in millions]

	6 years 1953 through 1958	18 years 1935 to 1953	Total 1935 through 1958
A. Electrification:			
(a) Total new loan funds appropriated ¹	\$1,545	\$2,954	\$4,499
(b) Gross loans made.....	\$1,227	\$2,619	\$3,846
(c) Loans for generation and transmission facilities: ²			
Dollars.....	\$400	\$469	\$869
Percent of total loans.....	32.6	17.9	22.6
(d) Funds advanced.....	\$1,098	\$2,157	\$3,255
(e) Increase in net worth of borrowers.....	\$351	\$161	\$512
(f) Payments by borrowers:			
Principal.....	\$384	\$202	\$586
Interest.....	\$210	\$140	\$350
Increase in balance of payments ahead of schedule.....	\$87	\$52	\$139
(g) Number of delinquent borrowers:			
At beginning of period.....	45	0	-----
At end of period.....	6	45	-----
(h) Amount of payments in arrears:			
At beginning of period.....	\$0.7	0	-----
At end of period.....	\$0.1	\$0.7	-----

¹ Fiscal years 1954-59, 1935-53, and 1935 to 1959. In fiscal 1957, when an upsurge of loan applications developed unexpectedly, REA asked for \$200 million in supplement funds. The Department of Agriculture, the Bureau of the Budget, the Congress, and the President of the United States all acted promptly to grant this requested additional lending authority.

² This is a loan purpose for which concern for the future was expressed by witnesses supporting the proposal.

Administrator Hamil furnished the committee with additional statistics demonstrating the remarkable progress of REA and REA-financed systems, both electric and telephone, during the calendar years 1953 through 1958. The outlook for the foreseeable future is excellent. The programs are in good hands. What plausible reason is there for anyone to fear for the future at the hands of a Secretary whose Department's views to the committee were prefaced with these words?

The Department is fully aware and very proud of REA's record of accomplishment and success, and of the unanimity of support and praise it has received from farmers and rural people, from farm organizations, and from legislators on both sides of the aisle here in Washington and in State capitols across the land. The Department has played its part in making that record. It regards very highly its 20 years of participation in these programs and looks forward to continuing its contribution in meeting the challenge of the future.

There is none. If and when a situation arises which warrants congressional action, appropriate action to meet then existing conditions and circumstances can be swiftly and effectively taken.

CONCLUSION

Substitute S. 144 is in effect an attempt to reestablish REA as an independent agency which will continue to be dependent in many respects upon the Department of Agriculture. It would place the Administrator on a pinnacle responsible—in the most important aspect of the program, loan approval—to no one other than possibly the President and the Congress who have other preoccupations which are sometimes more pressing and preemptive of their time and attention.

If the majority would face up to the realities of the situation, it would realize that its objective, so far as it can be identified, is realizable only by completely divorcing REA from the Department of Agriculture. There are bills pending in the Congress which would do just that. If the Congress determines that REA's present situation needs to be changed, enactment of one of these bills would appear to be far more logical than establishing the schizophrenic impotent anomaly that substitutes S. 144 would create.

I feel that with all the unnecessary clamor and unsubstantiated claims that have been flying around, a cooling-off period is indicated. We recommend that S. 144 be returned to committee for careful, thoughtful study.

HOMER E. CAPEHART.



86TH CONGRESS
1ST SESSION

S. 144

[Report No. 142]

IN THE SENATE OF THE UNITED STATES

JANUARY 9 (legislative day, JANUARY 8), 1959

Mr. HUMPHREY (for himself, Mr. MANSFIELD, Mr. HENNINGS, Mr. MAGNUSON, Mr. YARBOROUGH, Mr. JOHNSTON of South Carolina, Mr. HILL, Mr. LANGER, Mr. MURRAY, Mr. HARTKE, Mr. JACKSON, Mr. KERR, Mr. PROXMIRE, Mr. MORSE, Mr. KEFAUVER, Mr. THURMOND, Mr. JORDAN, Mr. KENNEDY, Mr. FULBRIGHT, Mr. YOUNG of North Dakota, Mr. SPARKMAN, Mr. CARROLL, Mr. O'MAHOONEY, Mr. MONRONEY, and Mr. MCCARTHY) introduced the following bill; which was read twice and referred to the Committee on Government Operations

MARCH 24, 1959

Reported by Mr. HUMPHREY, with amendments

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend Reorganization Plan Numbered 2 of 1953.

- 1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 1 of Reorganization Plan Numbered 2 of 1953
4 shall not hereafter apply to the Rural Electrification Admin-
5 istration, and there are hereby transferred to the Adminis-
6 trator of the Rural Electrification Administration all func-
7 tions which were transferred from the Administrator to the
8 Secretary of Agriculture by such reorganization plan; and
9 notwithstanding the provisions of section 5 of Reorganization

1 Plan Numbered 2 of 1939, or the provisions of any other
2 law, any action of the Administrator of the Rural Electrifica-
3 tion Administration with respect to the approval or denial
4 of loans authorized to be made under the provisions of the
5 Rural Electrification Act of 1936, as amended, shall be the
6 sole responsibility of the Administrator.

7 *That the functions and activities of the Rural Electrification*
8 *Administration and the Administrator of the Rural Electri-*
9 *fication Administration which were transferred to the Depart-*
10 *ment of Agriculture and to the Secretary of Agriculture by*
11 *Reorganization Plan No. II of 1939 and Reorganization*
12 *Plan No. 2 of 1953 are hereby transferred to the Adminis-*
13 *trator of the Rural Electrification Administration, and shall*
14 *be exercised and administered within the Department of*
15 *Agriculture by such Administrator under the general direc-*
16 *tion and supervision of the Secretary of Agriculture; except*
17 *that insofar as such functions relate to the approval or dis-*
18 *approval of loans authorized to be made under the Rural*
19 *Electrification Act of 1936, as amended, their exercise by*
20 *the Administrator shall not be subject to the supervision or*
21 *direction of, or to any other control by, the Secretary of*
22 *Agriculture.*

Amend the title so as to read: "A bill to modify Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953."

A BILL

To amend Reorganization Plan Numbered 2
of 1953.

By Mr. HUMPHREY, Mr. MANSFIELD, Mr. HENNING, Mr. MAGNUSON, Mr. YARBOROUGH, Mr. JOHNSTON of South Carolina, Mr. HILL, Mr. LANGER, Mr. MURRAY, Mr. HARTKE, Mr. JACKSON, Mr. KERR, Mr. PROXMIRE, Mr. MORSE, Mr. KEFAUVER, Mr. THURMOND, Mr. JORDAN, Mr. KENNEDY, Mr. FULBRIGHT, Mr. YOUNG of North Dakota, Mr. SPARKMAN, Mr. CARROLL, Mr. O'MAHONEY, Mr. MONRONEY, and Mr. MCCARTHY

JANUARY 9 (legislative day, JANUARY 8), 1959
Read twice and referred to the Committee on
Government Operations

MARCH 24, 1959
Reported with amendments

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued March 26, 1959
For actions of March 25, 1959
86th-1st, No. 49

Acreage allotments.....	1,46
Adjournment.....	12,29
Agriculture Committee.....	3
Alaska omnibus bill.....	16,52
Area redevelopment.....	25,35
ASC committees.....	43
Budget.....	26,32,54
Buy American.....	47
Contracts.....	47
Cooperatives.....	19,28
Easter recess.....	12,29
Es.....	23
Electrification.....	2,19
Employment.....	5
Family farm credit.....	31
FAS audit.....	18
Fair trade.....	4,30
Farm program.....	19,31
Flood control.....	9
Food supply.....	55
Foreign aid.....	9,36
Foreign currencies.....	10
Forestry.....	6,17
Gardening.....	55
Housing.....	37
Lands.....	221
Library service.....	24

Livestock.....	11
Milk.....	13,34
Minerals.....	51
Monopolies.....	45
National defense.....	40
National flower.....	56
National forests.....	17
National security.....	57
Oil imports.....	49
Personnel.....	41,43
Price support.....	19
Property.....	42
Puerto Rico.....	8
REA.....	2
Reclamation.....	50
Reports.....	20
Research.....	31,40
Rural development.....	7
School lunch.....	27
Soil survey.....	21
Special milk.....	13
Sugar.....	39
Taxation.....	28,42
Textiles.....	22,38
Transportation.....	53
Unemployment.....	14,44
Veterans' benefits.....	48
Warehouse receipts.....	15
Weather control.....	33
Wheat allotments.....	1

HIGHLIGHTS: Senate passed bill to increase special milk program. House committee ordered reported bills to increase durum wheat allotments. Rep. Cooley criticized administration's farm policies. Sen. Keating inserted the Secretary's Cornell speech. Sen. Murray introduced and discussed bill to extend Federal programs in Alaska.

HOUSE

- 1. WHEAT ALLOTMENTS.** The Wheat Subcommittee of the Agriculture Committee ordered reported with amendment to the full committee: H. R. 5443, providing for the appointment by the Secretary of a committee to study and recommend increases in durum wheat allotments; and H. R. 3436, to increase the durum wheat acreage allotments in North Dakota, Minnesota, Montana, South Dakota, and California. p. D210
- 2. ELECTRIFICATION.** H. R. 1321, as reported by the House Government Operations Committee on Mar. 20 (see Digest 46), provides that the functions and activities of REA and of the Administrator of REA which were transferred to the Department and to the Secretary by Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953 shall be transferred to the Administrator of REA, to be exercised and administered within the Department by the Administrator under the general direction and supervision of the Secretary, except that insofar as such

functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary.

3. AGRICULTURE COMMITTEE. Agreed to H. Res. 216, to amend H. Res. 93, so as to authorize the Agriculture Committee to investigate matters outside the continental United States. The Rules Committee reported without amendment H. Res. 216 earlier in the day (H. Rept. 253). pp. 4711, 4743
4. FAIR TRADE. Rep. Alger stated that "fair trade, as presently conceived, would destroy free enterprise, is unconstitutional, and would certainly violate State law." p. 4711
5. EMPLOYMENT. Rep. Hechler urged enactment of area redevelopment legislation to help alleviate unemployment. p. 4731
6. FORESTRY. Rep. Staggers urged wise use of our forest resources and development of a forest road system to allow access to forest areas for the purpose of removing good wood and planting new trees. pp. 4736-7
Rep. Abbitt urged enactment of his bill to provide for payments to States for the benefit of local governments based on the proceeds of timber sales located on military and naval reservations. pp. 4738-9
7. RURAL DEVELOPMENT. Rep. Natcher praised the rural development program as "the soundest approach yet devised to gaining long-range economic development and growth in our rural towns and communities." pp. 4739-40
8. PUERTO RICO. Resident Commissioner Fernos-Isern of Puerto Rico urged re-examination of the Federal Relations Act concerning the application of Federal laws to Puerto Rico. pp. 4732-4
9. FLOOD CONTROL. Rep. Levering criticized the Administration for trying "to pressure us on the Hill to appropriate huge sums for foreign aid, but when it comes to some little projects out in my district (flood control aid), the answer in a nutshell, is 'Thumbs down.'" pp. 4740-1
10. FOREIGN CURRENCIES. Received from the House Administration Committee a report showing the Armed Services Committee's use of foreign currencies for calendar year 1958. p. 4742
11. LIVESTOCK. Received from the Texas State Legislature a memorial requesting a continuation of brand inspections by the Texas and Southwestern Cattle Raisers Association. p. 4744
12. ADJOURNMENT. Agreed to H. Con. Res. 110, providing that when the two Houses adjourn on Thursday, Mar. 26, 1959, they stand adjourned until 12 o'clock Tuesday, April 7, 1959. p. 4724

SENATE

13. MILK. Passed without amendment H. R. 5247, to increase by \$3,000,000 the authorized maximum expenditure for the fiscal year 1959 under the special milk program. p. 4695
14. UNEMPLOYMENT COMPENSATION. Both Houses agreed to the conference report on H. R. 5640, to extend the temporary unemployment compensation program (H. Rept. 257).

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued March 27, 1959
For actions of March 26, 1959
86th-1st, No. 50

Acreage allotments.....	25		
Adjournment.....	8,14		
Alaska.....	29		
Area redevelopment.....	6,23		
Banking.....	26		
Budget.....	5,24		
Consumers.....	39		
Cooperatives.....	1,19		
Credit unions.....	33		
Economic conditions.....	5		
Education.....	28		
Eggs.....	1	Labor.....	27,37
Electrification.....	2,7	Law.....	38
Fair trade.....	21	Livestock.....	1
Farm program.....	1,10	Loans.....	34
Fish conservation.....	30	Marketing.....	1
Flag.....	32	Meat.....	1
Food for peace.....	9	Milk.....	1,3,16
Foreign aid.....	13	National defense.....	42
Foreign trade.....	36	National flower.....	15
Forestry.....	31,43	Personnel.....	11,22
Inflation.....	24	Price supports.....	1
Insecticides.....	40	Recreation.....	43
		Research.....	30,40,41
		Saline water.....	41
		Soil conservation.....	35
		Surplus food.....	4,9
		Transportation.....	17
		Unemployment compensation.....	18
		Water.....	1,12
		Water pollution.....	20
		Wheat.....	25
		Wildlife.....	30,40
		Wool.....	27

Sen. Symington criticized Department's delay in submitting omnibus farm bill. Reps. Breeding and Wolf praised food for peace plans. Sen. Mansfield introduced and discussed fair labor standards bill for employees in wool and mohair shearing operations. Sen. Kefauver introduced and discussed bill to establish Department of Consumers.

SENATE

1. FARM PROGRAM. Sen. Symington stated that during recent hearings on the farm situation he requested the Secretary "to prepare an omnibus farm bill for the committee, embodying everything he believed necessary, that "more than 5 weeks have elapsed since that request" and "the committee has not received the Secretary's omnibus bill" and that "each day the Secretary of Agriculture postpones presenting to the Congress what he thinks should be done is time lost toward a solution to this steadily worsening picture of falling farm prices, increasing farm surpluses, and growing cost to the taxpayer." p. 4780

Sen. Williams, Del., inserted a Farm Journal article which "gives the results of a poll which show that an overwhelming majority of American farmers voted for a reduction in the present high support programs and the majority of these farmers voted for the complete elimination of all support prices and controls." pp. 4760-1

Sen. Wiley inserted resolutions adopted by the Equity Cooperative Livestock Sales Assoc. on marketing of livestock, control of livestock diseases, expansion of meat and milk consumption, taxation of cooperatives, need for price supports, investigation of water use policies, and need for egg grading standards. pp. 4747-8

2. ELECTRIFICATION. S. 144, relating to the authority of the Administrator of REA, as reported by the Senate Government Operations Committee on Mar. 24 (see Digest 48), is identical with H. R. 1321 as reported by the House Government Operations Committee (see Digest 49 for a summary of the House bill).
3. MILK. Sen. Humphrey discussed the milk standards controversy in the D. C. area, and urged the enactment of legislation to provide national uniform milk sanitation standards. pp. 4793-4800
4. SURPLUS FOODS. Sen. Humphrey inserted an editorial, "Famine in Haiti," and urged the use of our surplus foods to aid the situation in Haiti. p. 4798
5. ECONOMIC CONDITIONS. Sen. Morse discussed the economic situation, criticized the administration for not adopting policies to "maintain the vigor and promote the growth of the economy," and recommended the adoption of a capital budget which would include items classed as capital investments. pp. 4790-4
6. AREA REDEVELOPMENT. Sen. Bush inserted an editorial discussing area redevelopment legislation, and expressing the opinion that the Senate "has gone too far ... in the program of aid to depressed areas which it approved the other day." p. 476
7. ELECTRIFICATION. Received a Mont. Legislature resolution urging enactment of legislation to authorize Federal construction of Glacier View Dam in Mont. pp. 4746-7
8. ADJOURNED until Tues., Apr. 7. p. 4808

HOUSE

9. FOOD FOR PEACE. Rep. Breeding urged Congress to confirm and extend the "hallowed American tradition of extending aid to the needy" and to "stop thinking of surplus as an awesome and crushing thing." pp. 4810-1
Rep. Wolf urged greater use of our surplus commodities overseas stating "something has clearly gone wrong in our thought and actional processes when we persist in saying we have surpluses when there are nations in this world that cannot industrialize because their people are starving," contending that Public Law 480 and the mutual security law of 1954 are "far too limited," and urged approval of a plan to have our surplus commodities distributed through the United Nations. pp. 4813-6
10. FARM PROGRAM. Rep. Boland inserted an article by Roscoe Drummond, "Antifarm Revolt: Rebellion Seen Unless Workable Program Is Found," commending Secretary Benson's Cornell speech and urging that the Secretary be given a chance to administer his program, which "would adjust price supports to levels leading to the marketplace, not to storage bins." p. 4823
11. PERSONNEL. The Post Office and Civil Service Committee reported without amendment H. R. 4601, to amend the act of Sept. 1, 1954, to limit to cases involving the national security the prohibition on payment of annuities and retired pay to officers and employees of the U. S., to clarify the application and operation of such act (H. Rept. 258). p. 4824
12. WATER RESOURCES. Received from the Montana State Legislature a memorial requesting legislation to authorize Federal construction of Glacier View Dam on the North Fork of the Flathead River in Montana. p. 4825

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued April 8, 1959
For actions of April 7, 1959
86th-1st, No. 51

Abaca fiber.....25		
Acreage allotments...15,46		
Air pollution.....8		
Appropriations.15,25,38,42		
Area redevelopment.....21		
Atomic fallout.....24		
Budget.....23		
CCC.....25,44		
Communications.....16		
Conservation reserve....15		
Contracts.....13		
Cooperatives.....10		
Credit unions.....35		
Dairy products.....25		
Education.....49		
Electrification....5,10,45		
Ethics.....33		
Experiment stations....25		
Extension work.....25		
Farm housing.....25		
Farm prices.....11		
Farm program.....1,7,29		
FAS.....15		
Flood control.....17		
Food for peace.....2		
Food stamps.....19		
Foot-and-mouth disease..25		
Foreign affairs.....22		
Foreign currencies...15,51		
Foreign trade.....12		
Forestry.....18,47		
General Counsel.....6		
Hurricane relief loans..25		
Information.....32		
Labor standards.....36		
Legislative procedure...54		
Marketing facilities....25		
Marketing quotas.....15		
Military construction...51		
Milk.....1,24,27,40		
Nomination.....6		
Penalty mail.....25		
Personnel...25,33,37,38,53		
Poultry.....30		
Public lands.....14,25,39		
Public Law 480.....1		
Reclamation.....3		
REA.....5,45		
Reports.....25		
Research.....25,52		
Roads.....25		
School lunch.....1		
Surplus commodities..19,25		
Training.....22		
Unemployment		
compensation....4,41,50		
Water.....20,28,31,48		
Water compact.....34		
Watersheds.....9		
Wheat.....24,43		
Wilderness.....18,26		

HIGHLIGHTS: Senate debated bill to give REA independent status. Senate received nomination of Frank A. Barrett to be USDA General Counsel. Rep. Marshall defended farm program costs. Rep. Roosevelt praised food for peace plan. Senate received supplemental appropriation estimates from President.

HOUSE

1. FARM PROGRAM. Rep. Marshall stated that to understand the 1959 budget, expenditures benefiting the general public should be separated from those aiding farmers, citing as examples of the former, school lunch, food distribution to the needy, Public Law 480 program, military housing in Europe, special milk and other programs. He concludes that of the \$7.34 billion USDA budget in 1959, only \$2.2 billion is properly chargeable to agriculture. pp. 4904-5
2. FOOD FOR PEACE. Rep. Roosevelt commended Rep. Wolf's remarks in support of the food for peace program and urged passage of his resolution on the subject. p. 4906
3. RECLAMATION. Received a letter from Interior transmitting a copy of applications for loans to the Santa Ynes River Water Conservation Dist. of Calif. and

to the Weber-Box Elder Conservation Dist., Ogden, Utah, pursuant to the provisions of the Small Reclamation Projects Act of 1956 as amended. p. 4908

4. UNEMPLOYMENT COMPENSATION. Both Houses received from Labor Dept. a proposed bill "to extend the unemployment compensation program"; to H. Ways and Means, and S. Finance Committees. pp. 4829, 4909

Received from Labor Dept. a proposed bill "to establish a new account in the unemployment trust fund to which an amount equal to all Federal unemployment taxes collected shall be appropriated, and out of which all employment security administrative expenses shall be paid, to increase the amount of the reserve in the Federal unemployment account for advances to the States, to increase the amount of wages subject to taxation under the Fed. Unemployment Tax Act"; to the Ways and Means Committee. pp. 4828-9, 4909

SENATE

5. ELECTRIFICATION. Began debate on S. 144, to provide that the REA Administrator shall not be subject to the control of the Secretary in the approval or disapproval of loans (see Digests 49 and 50 for complete summary of bill). (pp. 4858-9, 4886-94, 4897-4900) Pending at adjournment was an amendment by Sens. Curtis and Russell, in the nature of a substitute for the text of the bill, which would establish REA as an independent agency. (pp. 4858-9, 4897-9)

6. NOMINATIONS. Received the nomination of Frank A. Barrett to be General Counsel of this Department. p. 4902

7. FARM PROGRAM. Sen. Humphrey inserted his address before the Farmers Union Grain Terminal Association discussing the farm situation in general, and listing the factors in his proposed "farmer's bill of rights." pp. 4894-7

8. AIR POLLUTION. The Public Works Committee ordered reported with amendment S. 441, to make permanent the air pollution control program. p. D216

9. WATERSHEDS. The Public Works Committee approved the following watershed projects: Lick Creek, Tenn.; San Diego-Rosita Creeks, Tex.; and Chiltipen-San Fernando Creeks, Tex. p. D216

10. COOPERATIVES. Received a Minn. Legislature resolution opposing proposed legislation to alter the tax status of cooperatives. p. 4832

Received from the Upper Mo. G. & T. Electric Cooperative resolutions urging the "passage of H. R. 3142, in order to assure the maximum use" of facilities by consumer-owned electric cooperatives, and urging "the National Rural Electric Cooperatives Association to explore the idea of setting up a task force to assist the electric cooperatives and public power groups being attacked." pp. 4836-7

11. FARM PRICES. Received a Wisc. Farmers Union resolution urging an investigation of the "cause of the widening price spread between the farmer and the consumer, and the excessive profit-taking in business and industry, for the purposes of formulating legislation ... to correct these abuses." p. 4836

12. FOREIGN TRADE. Received from the Export-Import Bank a report of that bank, covering the period July-December, 1958. pp. 4828-4908

13. CONTRACTS. Received from Defense Dept. proposed bill "to extend the Renegotiation Act of 1951 until Sept. 30, 1961"; to Finance Committee. p. 4828

the ultimate safety of the world's population if agreement is not soon reached.

I ask unanimous consent that an editorial of April 3, by Perry Swisher, from the Boise (Idaho) Journal, and another of March 26, by Robert L. Anderson, in the Idaho County (Idaho) Free Press, be printed at this point in the RECORD.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Boise (Idaho) Journal, Apr. 3, 1959]

BREAD AND MILK

It wasn't many months ago that this editor was asked to transfer the subscription of a man deep in the AEC to another member of his family. The explanation was that the editorials about nuclear contamination of the air were an embarrassment.

Now that John A. McCone is in and Lewis Strauss is out as Chairman of the Atomic Energy Commission, the Nation is learning in detail what the scientists knew but could not drive home because of security regulations: Strontium 90 contamination of the atmosphere is far more serious than Mr. Strauss and Dr. Edward Teller, unable to see the evidence because of their preconceived policy, were willing to admit.

The debate about underground tests may continue, but no argument remains—or logically ever existed—against pressing at Geneva for a ban on further test pollution of the air. Idaho's U.S. Senator FRANK CHURCH deserves unlimited credit for so clearly drawing the line between the arguable question of underground test control and the unarguable ability of this Nation and Russia to detect atmospheric nuclear explosions anywhere in the world.

A WORKABLE APPROACH

When the Geneva session reconvenes April 13, the United States absolutely must be in position to ask publicly, with the world as its audience, that Russia join the West in suspension of all nuclear tests above ground. This is feasible. Agreement on the whole nuclear weapons control package is not. Neither country trusts the other far enough to reach complete agreement on all aspects of international control. But the world distrusts both powers to such an extent that above-ground control of test bomb explosions is, from the viewpoint of other nations, imperative. If the human race ranked ahead of principalities, the ban would already be in force.

From such tangible evidence as the strontium contamination of Minnesota wheat and milk, the public now learns in terms of bread and milk what science knew many months ago. But in those days, incredibly, the AEC, most of the Nation's reliable news magazines, some of her diplomats (but not Mr. Dulles this time), Defense chiefs and the White House were backing a position the facts now thoroughly discredit. The humane, informed protests of Pius XII and Albert Schweitzer were dismissed as naïveté.

"HE'S MY BOY"

We learn one lesson at a time in this atomic age. Each one is terrible enough in fact or in its implications that we cannot forget them. This exercise in national policy (and in news slanting) should teach us that recording and presenting the nuclear facts of life—literally facts of life—must transcend all traditional administrative practice. In other words, loyalty to mankind, amid the impersonal consequences of nuclear experiment or foreknowledge, comes ahead of the loyalty a public servant may demand of his immediate superiors. This demand, in this era, has extended to the news media and inferentially to all true patriots the media can reach.

Until a special science adviser to the President was appointed—Dr. James Killian, Jr.—the President wasn't aware that a large proportion of the top nuclear physicists and weapons experts in this field were in favor of a test ban with safeguards.

"They had been inhibited in speaking out publicly," the Christian Science Monitor flatly reports, "by the rigid secrecy rules over which Mr. Strauss presided, in the atomic energy field." Once more time has demonstrated that political conceit or obstinacy, rather than national security, dictates the results of suppressing information at the appointive level of Government. Not only is critical information withheld from the public, but from the chiefs of state. The ancient necessity of technological military secrecy can never justify such practices, widespread as they may be in modern governments.

EVERYMAN'S SNEEZE

Inquiry as to degree will go on indefinitely, but: When atomic bombs burst into blossom, all people everywhere are allergic to their pollen. And unlike us, our descendants will have had no chance to protest; they must be heard through our objections.

Last year's editorials, we readily admit, were a reaction to obvious withholding and distortion of needed information. They weren't scientifically expert. That's not our field.

No, the significance of the facts since forced into the light is, for the purposes of this editorial, that insistence on the peoples' right to know is not a mere exercise in journalism. It directly involves the lives of the people themselves, the very air they breathe.

[From the Idaho County (Idaho) Free Press, Mar. 26, 1959]

THE PROMISE

"Because I live ye shall live also."—John 14: 19.

This was the message of the risen Christ and centuries later it holds the promise of civilization.

But the strife-ridden world, now in a quagmire of ideological and materialistic dictation, seems little prepared to partake of the Eastertide this Sunday.

The science of warfare has blotted out principles of peace taught by a Saviour.

Facing mankind is a firing of the world with hydrogen weapons, with the tolls of death and disease never to be estimated accurately.

Senator CHURCH, in a recent address to the U.S. Senate, urged this Nation to take strong leadership in an 11th hour attempt to unite the major powers at the Geneva conference with a proposal:

"An agreement to suspend further nuclear weapons tests in the earth's atmosphere, within the framework of a trustworthy and sufficient international control system, adequate to detect reliably and report any violation * * *."

What the Idaho Senator warns is that failure at Geneva will be the failure of mankind and he asks that the United States never let up in its conferences with Russia, and others to seek an effective detection system and policing of hydrogen firings.

Current news stories, Senator CHURCH said, revealing the marked increase in levels of strontium 90 now appearing in our milk and wheat, emphasize the grave importance of the Geneva negotiations, and the "urgency for our doing our utmost there."

It is an era of sadness, more than terror. Man is not suitable to govern the universe as long as he seeks to destroy it.

At this Eastertide, let the hearts and prayers of all men seek enlightenment and pray that the promise of Christ, "because I live ye shall live also," shall exert an influence on

restoring the conclave at Geneva onto paths of righteous government of the world's peoples.

GERMAN DEBT PREPAYMENT

Mr. WILEY. Mr. President, all too often we have heard grumbling in this country about the supposed giveaway nature of our mutual assistance programs. Complaints have been directed not only against grants of aid—which many people refuse to see have contributed mightily to peace and America's security during the past decade—but also against loans. The latter, which increasingly are proving the most satisfactory vehicle for assistance, are all too frequently referred to as "money down the drain." I do not accept this description for a moment.

I take great pleasure and satisfaction, therefore, in drawing the attention of my colleagues to an exchange of notes between the Governments of the United States and the Federal Republic of Germany in Bonn on March 20. By this means, the Federal Republic agreed to make an advance payment of \$150 million on March 31 against its indebtedness arising from U.S. expenditures under the Marshall plan and other programs. This prepayment is a part of the 1953 settlement agreement which provided for the payment to the United States of \$1 billion with interest over a period of 30 years. The West Germans have been paying interest since 1953, and began repaying the principal last year.

This \$150 million is the first payment on the principal.

My colleagues should note that this act of good faith and good business was linked with West Germany's financial assistance, through debt repayment, to Great Britain's balance of payments. It is especially good to witness such mutually helpful transactions among three firm allies at a time when the interdependence of the free world countries requires fresh emphasis in the face of Soviet divisive maneuvers.

Mr. President, I ask unanimous consent that the Department of State press release on this subject be printed in the RECORD as a part of my remarks.

It will be noted from the release that:

The Governments of the United States and the Federal Republic of Germany exchange notes in Bonn on March 20 under which the Federal Republic agrees to make an advance payment of \$150 million on March 31, 1959.

The words are "an advance payment of \$150 million on March 31."

March 31 has passed, Mr. President, and the payment has been made.

There being no objection, the press release was ordered to be printed in the RECORD, as follows:

GERMAN DEBT PREPAYMENT

The Governments of the United States and the Federal Republic of Germany exchanged notes in Bonn on March 20 under which the Federal Republic agrees to make an advance payment of \$150 million on March 31, 1959, on its indebtedness to the United States for postwar economic assistance totaling approximately \$3 billion. This debt arose as a result of United States expenditures in Germany under the Marshall plan and other assistance programs. An agreement for set-

tlement of this indebtedness, signed in London on February 27, 1953, provides for payment to the United States of \$1 billion with interest over a period of 30 years. Semi-annual payments of interest beginning July 1, 1953, and of principal installments beginning July 1, 1958, have been made by the Germans under this agreement as they became due.

This advance payment to the United States fulfills a requirement of the 1953 agreement that, in the event of a German prepayment on their corresponding debts to either the British or French Governments, the Federal Republic will, unless the United States agrees otherwise, make proportionate prepayment on its postwar assistance debt to the United States. A prepayment of a comparable percentage of the Federal Republic-United Kingdom debt had already been offered by the Federal Republic as part of the financial assistance given the British balance of payments.

The United States note was signed by the chargé d'affaires at Bonn, Henry J. Tasca, and the German note by Foreign Minister Von Brentano.

The text of the United States note follows: "I have the honor to refer to Your Excellency's note of March 20, 1959, which, in agreed translation, reads as follows:

"I have the honor to declare that, in accordance with the agreement of February 27, 1953, between the Federal Republic of Germany and the United States of America regarding the settlement of the claim of the United States of America for postwar economic assistance (other than surplus property) to Germany (hereinafter referred to as the agreement), the Federal Government is ready to conclude the following agreement with the Government of the United States of America.

"1. The Federal Government shall make a prepayment of \$150 million by March 31, 1959, on the principal sum still outstanding under the agreement.

"2. As regards the prepayment to be made by the German Federal Government under paragraph 1 above, the Government of the United States of America agrees that instead of the semiannual installments of \$23,790,000 as stated in paragraph 2, article 1 of the agreement, the Federal Government shall in 1961, 1962, 1963, 1964, and 1965 only pay semiannual installments of the amount required under the agreement as interest on the principal sum still outstanding in those years, and in 1966 shall make additional payments in liquidation of the principal sum only inasmuch as the principal sums owed and due under the agreement have not already been settled by the prepayment under paragraph 1, above.

"3. The new amortization schedule to liquidate the debt arising out of the postwar economic assistance of the United States of America (other than surplus property), a copy of which is attached, follows from the above.

"If the Government of the United States of America agrees with the above provisions, I have the honor to suggest that this note and Your Excellency's reply to it should be regarded as an agreement between the two governments, to enter into force on the day of the receipt of your reply."

"I have the honor to inform Your Excellency that the Government of the United States of America accepts the foregoing provisions and accordingly agrees that Your Excellency's note and this reply shall constitute an agreement between the two Governments.

"Accept, Excellency, the renewed assurances of my highest consideration."

PRESENTATION OF GAVEL TO SENATOR HAYDEN

Mr. STENNIS. Mr. President, recently, at the first meeting of a subcommittee of the Senate Committee on Appropriations, in the hearing room in the Senate Office Building, it was my privilege to present a gavel to the chairman of the committee, the senior Senator from Arizona [Mr. HAYDEN]. The gavel was made from a bristle cone pine, said to be the oldest living thing in the world. It is located in the home State of the Senator from Arizona.

I desire to perpetuate the remarks which I made at that time in tribute to the Senator's fine record. I ask unanimous consent that my remarks be printed in the RECORD.

There being no objection, the remarks by Mr. STENNIS were ordered to be printed in the RECORD, as follows:

TRIBUTE TO SENATOR CARL HAYDEN BY SENATOR JOHN STENNIS ON THE OCCASION OF THE PRESENTATION OF BRISTLE CONE PINE GAVEL TO CHAIRMAN HAYDEN AT INITIAL MEETING OF SENATE APPROPRIATIONS COMMITTEE IN ROOM 1224, NEW SENATE OFFICE BUILDING

This gavel is made from a live bristle cone pine, growing near the boundary line between the States of Arizona and California. This tree is thought to be the world's oldest living thing. Competent scientific authorities estimate these trees, which are still living, to be 4,600 years old. This means that they were over 2,600 years old when Christ was born, and were 600 years old when Abraham settled in the Land of Canaan.

As these trees have lived longer than anything in America, so Senator CARL HAYDEN has served longer in the Congress than anyone in American history. His career has always been active and constructive, with emphasis on the things that grow and strengthen our Nation.

Through a great number of constructive legislative programs, our national highway system, our agriculture and forest research programs, our irrigation projects, our soil and water conservation, the wisdom, the foresight and energy of CARL HAYDEN have already brought untold results.

For centuries to come these programs will continue to enrich the life and strengthen the economy of our Nation. Thus Senator HAYDEN's contribution to the Nation's welfare through all these and other programs will continue to bear fruit for the American people longer than the 4,600 years this bristle cone pine has lived.

I salute and congratulate Senator HAYDEN for his achievements of the past and for his plans and continued work in the future. This gavel is presented as a token of recognition as well as appreciation for his work, past and future, all on behalf of his colleagues in the Congress and on behalf of the American people, including generations yet unborn.

The PRESIDING OFFICER. Is there further morning business? If not, morning business is concluded.

AMENDMENT OF REORGANIZATION PLAN NO. 2 OF 1953

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 131, Senate bill 144.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 144) to amend Reorganization Plan No. 2 of 1953.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Government Operations with an amendment, to strike out all after the enacting clause and insert:

That the functions and activities of the Rural Electrification Administration and the Administrator of the Rural Electrification Administration which were transferred to the Department of Agriculture and to the Secretary of Agriculture by Reorganization Plan No. II of 1939 and Reorganized Plan No. 2 of 1953 are hereby transferred to the Administrator of the Rural Electrification Administration, and shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture; except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture.

Mr. JOHNSON of Texas. Is the Senator from Minnesota prepared to make a statement now, or does he prefer that I suggest the absence of a quorum?

Mr. HUMPHREY. I ask for a quorum call.

Mr. JOHNSON of Texas. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CURTIS. Mr. President, for the Senator from Georgia [Mr. RUSSELL], and myself I offer an amendment in the nature of a substitute for S. 144, a bill to amend Reorganization Plan No. 2. I ask unanimous consent that the amendment not be read, but that it be printed at this point in the RECORD.

The PRESIDING OFFICER. Without objection, the amendment will be printed in the RECORD.

The amendment offered by Mr. CURTIS is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

"That there is hereby created and established in the executive branch of the Government an independent agency to be known as the 'Rural Electrification Administration' all of the powers of which shall be exercised by an Administrator who shall be appointed by the President by and with the advice and consent of the Senate for a term of ten years and who shall receive a salary of \$20,000 per annum. The Administrator shall have direction, supervision and control of

the Rural Electrification Administration and all of its operations and functions as authorized in the Rural Electrification Act of 1936, as amended.

"SEC. 2. The incumbent of the Office of Administrator of the Rural Electrification Administration appointed before the effective date of this Act shall serve the remainder of the term for which he was appointed. At the expiration of such term, or if the office shall become vacant at any time for any reason, the President shall designate an Acting Administrator to exercise and perform all functions, powers, and duties vested in the Rural Electrification Administration until the appointment and qualification of an Administrator, as provided in the first section of this Act.

"SEC. 3. (a) Employees in the Department of Agriculture who are being utilized on the effective date of this Act primarily for the performance of functions, powers, and duties provided for in the Rural Electrification Act of 1936, as amended, shall be transferred to the jurisdiction and control of the Rural Electrification Administration in those instances in which the Administrator determines that they are qualified and necessary to carry out the functions, powers, and duties of the Rural Electrification Administration.

"(b) All assets, funds, contracts, property, and records used and employed in the execution of the functions, powers, and duties authorized by the Rural Electrification Act of 1936, as amended, are hereby transferred to the jurisdiction and control of the Rural Electrification Administration.

"(c) All unexpended balances of appropriations, allocations, or other funds available (including those available for the fiscal year ending June 30, 1959) for the Rural Electrification Administration and for the Secretary of Agriculture on account of the functions and activities of the Rural Electrification Administration shall be transferred to the Rural Electrification Administration and shall remain available for the exercise of the functions and activities of the Rural Electrification Administration.

"SEC. 4. (a) Notwithstanding any other provision of this Act, or of any rule of the Senate or of any committee of the Senate, any proposed legislation or other matter (including appropriations), relating to the administration of the Rural Electrification Act of 1936, as amended, shall, after the date of enactment of this Act, be referred to the same committees and subcommittees of the Senate to which such proposed legislation or other matter would have been referred had this Act not been enacted.

"(b) This section is enacted—

"(1) as an exercise of the rulemaking power of the Senate and as such it shall be considered as part of the rules of the Senate, and shall supersede other rules of the Senate only to the extent that they are inconsistent therewith; and

"(2) with full recognition of the constitutional right of the Senate to change such rule at any time, in the same manner and to the same extent as in the case of any other rule of the Senate."

Amend the title so as to read: "A bill to establish the Rural Electrification Administration as an independent agency, and for other purposes."

The PRESIDING OFFICER. The question is on agreeing to the amendment in the nature of a substitute offered by the Senator from Nebraska [Mr. CURTIS] for himself and the Senator from Georgia [Mr. RUSSELL].

INFLATIONARY PRESSURES—WHAT IS THE REMEDY?

Mr. WILEY. Mr. President, the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary has been paying particular attention to the problem of inflationary prices and whether the antitrust approach can be helpful by increasing competition and thus bringing prices down.

The hearings of the Antitrust Subcommittee have received very careful and thoughtful attention from the numerous newspaper reporters who have attended them.

An interesting example of the amount of research given by reporters to this problem was published on the first page of the Outlook Section of the Washington Post and Times Herald of Sunday, April 5, 1959. It was an article entitled "Steel Strike Pattern Could Change This Time," written by Bernard D. Nossiter.

I do not necessarily agree with Mr. Nossiter's comments, but the article which is a stimulating one, goes back to the time when President Truman went along with a steel price rise.

We are all interested in finding a remedy for inflationary pressures, which will not do more harm than good to private enterprise.

Mr. President, I ask unanimous consent that this article be printed in the RECORD at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

STEEL STRIKE PATTERN COULD CHANGE THIS TIME

(By Bernard D. Nossiter)

Once again a forthcoming steel wage price bargain is in the center of the economic stage. This is logical. Steel, the backbone of the economy, goes into everything from sewing needles to superliners, from axes to autos.

Price changes in steel, some economists think, are a major cause of the behavior of the economy. Some of President Eisenhower's top advisers believe that the increase in steel prices (with help from autos) over the past 5 years triggered inflation, recession and the present slow recovery. The chief economists at the Federal Reserve Board feel the same way. And so do many in both parties on Capitol Hill.

Wage changes in steel are important, too. For if steel pricing sets the pace for industry, steel wages this year will set the pattern for all workers.

And this is no mere numbers game. For, as Woodlief Thomas, the economic adviser to the Federal Reserve Board, has emphasized, over-high prices and wages in steel throw sand into the economy's delicately interlocked parts. So the machine either breaks down (recession) or runs inefficiently (unemployment, slow growth).

EVENTUALLY, THEY'LL SIGN

Steel's current wage pact runs out June 30. Around the middle of next month, President David McDonald of the United Steelworkers will meet a representative of Roger Blough, chairman of the United States Steel Corp., in a New York hotel room. There McDonald and his retinue and Blough's man, Conrad Cooper, plus the industry's smaller management, will eventually sign an agreement.

Before the pact is finally signed, however, a strike may come—at least shutting down the steel mills. If it goes on long enough, steel's customers—autos, ships, farm machinery and lots more—will have to cut down, too.

The steel industry has been passing the word at least since last September that a strike was coming. Union sources fear that it is inevitable.

The prospective consequences not only of a strike (from industry's standpoint, a short one, clearing out currently excessive inventories, would not be entirely unwelcome) but of the wage and price bargain which would follow, have aroused many responsible officials, from President Eisenhower on down.

These mobilized so strongly that there will be a peaceful settlement in which a wage increase will not be used as the lever for another price rise.

CURTAIN ROSE IN 1946

On March 25 Mr. Eisenhower broke a personal precedent, singling out by name the steel industry and the steel union in a plea for restraint. Meanwhile, support is mounting on Capitol Hill for bills which would require big industry and big labor to tell at Government hearings why specific prices and wages should be raised.

This is not the first time the White House has taken a direct interest in the drama of steel bargaining. The current negotiations can only be understood as the third act of a play which opened in the winter of 1945-6.

Then, the Nation, once again at peace, was sick of war and the restraints imposed by war. Price and wage controls were still on as the economy shifted gears from war production to peacetime goods. But everybody chafed at the restraints: industry wanted freedom to set its own prices; labor wanted to bargain for its own wages, and consumers were fed up with rationing.

The country appeared to want to go back to normalcy, but on a scale undreamed of in the Roaring Twenties. As it turned out, the country got just what it wanted.

TUSSLE OF TITANS

In that first postwar winter, two titans dominated steel and steel was the pace-setter for the economy. Philip Murray not only headed the big union but was also president of the CIO. Benjamin Fairless was United States Steel's chairman and his standing in the industrial community was as high as Murray's in labor.

Some of today's top steel stars were then important feature players on the bill. McDonald had risen from personal secretary to Murray to secretary-treasurer of the union; Blough was Fairless' counsel.

The bargaining, however, was three-cornered, because President Truman's administration had to be in the picture. The negotiations rambled from the White House to United States Steel's suite at the Carlton Hotel.

The union wanted a big wage increase for itself and as a pattern for mass-production industries. The corporation, then as now, insisted that any wage increase would require a hefty price increase. A strike would imperil reconversion by making scarce goods even scarcer.

Murray and Fairless pushed and hauled with each other, John Snyder, the Reconversion Director, and Chester Bowles, the Price Administrator. Bowles tried to hold the price increase down to \$2.50 a ton. Snyder was more flexible.

At the 11th hour, Mr. Truman proposed a compromise: an 18.5 cent wage increase and

a \$4-a-ton price boost. Murray accepted this; Fairless said "No." A crippling 4-week strike then followed until Mr. Truman offered the corporation another \$1-a-ton price raise. And the steelworkers went back to their jobs with the 18.5 cents.

In effect, this was a strike to get a price increase, because neither the Government nor the corporation opposed the 18.5 cents in wages.

Why did Fairless do this? His friends recall that steel was the model industry in cooperating with wartime price controls. His friends say, however, that many industrialists felt that prices and wages had been held down artificially and, with the war over, should be gradually raised. Fairless himself was afraid that the economy would not expand; that steel's most profitable policy was to operate with rising prices and reduced production. This same thinking is believed to dominate the industry's mind today.

Critics of Fairless say he acted as he did to break price and wage controls. In this, he had much support. For only 9 months later, in November 1946, controls were virtually wiped out. The voters had had enough, too. So they elected a Republican Congress.

NO BARS THIS TIME

Ten years later, in the summer of 1956, the steel bargaining was again the central economic drama. The decade had been dizzily prosperous for some. Income and output records had been broken annually—except in slump years. Cold war and Korean war had left the economy with a structure not completely unlike that of World War II.

But there were no controls. Prices went up. Wages went up. The stock market went up.

Workers in the big unionized industries got real gains in income. Shareholders in the basic industries did even better and their profits were taxed at no more than 25 percent.

Others—farmers, white collar workers, civil servants, old-age pensioners—didn't fare as well.

The chief actors in the steel play had changed, however, by 1956. Murray had died. McDonald, his former secretary, was president of the union. Blough, the suave, glib lawyer, had replaced Fairless.

The plot of the story hadn't changed, however. Again the strike ran 4 weeks. It was followed by wage and price increases.

Then as now, the word had gone out early that a month-long strike was in the cards. So the customers had hurried to stock up on steel ahead of the deadline.

Friends of Labor Secretary James P. Mitchell and Treasury Secretary George M. Humphrey let it be known that these two had settled the strike in secret. However, many skeptics figured that this was a face-saving device to get the union and the corporation off the hook. The skeptics figured that the prestrike scare talk had built up inventories to a point where a strike was necessary to bring them down.

TWO ALTERNATIVES

A way of reducing inventories without a strike would have been to cut prices, but that is something that steel just doesn't try. Still another alternative to a strike would have been to cut back production and lay off men.

But the arrangement which was devised left the industry and the union satisfied. From 1947 through 1953, the wholesale price of finished steel went up 101 percent; all industrial prices, 39 percent, and all wholesale commodity prices, 24 percent. In the same period, steelworkers' wages went up 100 percent and all manufacturing wages, 72 percent.

Since more steel was being produced by fewer workers, the companies were making fine profits. These don't show up too clearly

in the annual reports because fast tax writeoffs obscure true profits. The Senate Antitrust Subcommittee has shown, however, that profits per ton went up from \$7.47 in early 1953 to \$19.31 in late 1958, a jump of more than 250 percent.

FROM \$12 TO \$100

All this has been fine for the stockholders, too. A man who bought United States Steel at its average price of \$12 a share in 1957 could have turned an \$88 per share profit when it hit \$100 recently. Since then, with the heat being turned on against any price increase, it has slipped a shade under \$90. But from \$12 to \$90 is a nice gain, especially since the top tax rate on this is 25 percent.

And, for Blough and fellow executives, this is an especially rewarding picture, because from time to time they issue themselves options enabling them to buy thousands of steel shares later at fixed prices. As of January 1, Blough and 257 other big steel executives had claims on stock which would yield them an \$18 million profit.

All this, however, is against the current background of high unemployment. Jobs are short in steel, too. Also in the picture is the late and curious recession with its rising prices. These factors are fueling the heat from Capitol Hill, the Federal Reserve Board, and the White House.

Senator ESTES KEFAUVER, Democrat, of Tennessee, has invited Blough and McDonald, along with General Motors Chairman Frederic Donner and United Auto Workers President Walter Reuther, to testify on a price notification bill before the steel negotiations begin. Both steel men are expected to oppose vigorously any effort to make them tell the Government in advance why they raise their prices and wages.

Public relations advisers for both union and the industry (and they share some) are telling their clients that another wage-price boost in steel, or an inventory-clearing strike, will build up even more support for the disliked bill.

However, United States Steel is understandably reluctant to forgo a walkout. As things now stand, the corporation can blame the union for price increases. And it saves money by taking a strike.

If steel were now producing for real demand instead of for strike-scared customers, it would have to lay off men. This would increase its unemployment compensation taxes and force it to pay out supplemental unemployment benefits.

Nevertheless, by last weekend the heat was so strong that there were rumors of a new face-saving device with political overtones. A suggestion has been sent aloft that Vice President Nixon's Cabinet Committee on Inflation hear McDonald and Blough before KEFAUVER gets to them.

If this script goes according to one plan, there will be a wage increase but little or no price increase. And the Vice President will emerge as the hero who stopped inflation.

Predictions are worthless here. With such brilliant actors and such high drama, only the men who write the scripts can foretell how the third act will come out. And these script writers are busy repolishing even that.

MUTUAL SECURITY PROGRAM UNDER FIRE

Mr. WILEY. Mr. President, the mutual security program, now being considered by the House Committee on Foreign Affairs, will again be under heavy fire in Congress this year.

We recall that President Eisenhower recently has restressed the need for a strong mutual security program as essential to our national, as well as free world defense. Constructively, leaders

of the Democratic Party, including former President Truman, have also urged the approval by Congress of ample funds to carry on an effective mutual security program. In addition, we recall that the President's Committee To Study the United States Military Assistance Program, headed by William H. Draper, Jr., not only urged approval of the President's recommendations but stressed the need for additional funds to gird up the free west alliance in its efforts to obstruct Communist expansion. Prior to this report, specially appointed groups containing representatives of business, labor, the military, and other cross sections of American life, have reviewed this program in detail and almost unanimously have agreed that it is an essential part of our defense program.

We recognize, of course, that it is difficult to gain popular support for the idea that American taxpayers' dollars are being spent abroad if the impression is given widely that these funds are either being misspent or that the program, itself, is an impractical, if not useless, way to spend American dollars, thus creating a hardship on the taxpayers.

As a taxpayer, myself, I am, like every other American, concerned with assuring that the expenditures for this, or any other program, are handled wisely, efficiently, and in the best interests of the country.

Unfortunately, in almost all programs—whether in private enterprise or under federally administered projects—there develop, from time to time, unfortunate examples of poor judgment, miscalculations, or plain mistakes. We recognize, of course, that "to err is human." Where errors have been made, we cannot, of course, "sweep them under the rug." Rather, we must strive to correct the situation and to set up as efficient an operational system as possible to administer this, as well as other, programs which are felt to be needed for national security and progress.

We realize that, historically speaking, the mutual security program is a pioneer in its field. Never before in history has any nation embarked on such a broad scope program for mutual development and security among friendly nations.

However, in view of the criticisms—some perhaps justified and some unjustified—it is important to get before the American people the proper perspective of how the mutual security program is being handled and how it is contributing to our defense. Particularly, it is important to refute allegations which may be untrue. In addition, it is necessary to attempt to assure that unfortunate instances in which there may have been specific cases of misjudgment in administration do not give the impression of reflecting the character of the whole program.

Today I received from Mr. Guilford S. Jameson, Deputy Director for Congressional Relations of the International Cooperation Administration, a statement prepared by ICA which that Agency feels refutes recent allegations made against the mutual security program.

the senior Senator from Minnesota be shown as a cosponsor.

The **PRESIDING OFFICER**. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the **RECORD**, and the name of the Senator from Minnesota will be added as a cosponsor.

The bill (S. 1603) to require Members of Congress, certain other officers and employees of the United States, and certain officials of political parties to file statements disclosing the amount and sources of their incomes, the value of their assets, and their dealings in securities and commodities, introduced by Mr. MORSE (for himself and Mr. HUMPHREY), was received, read twice by its title, referred to the Committee on Rules and Administration, and ordered to be printed in the **RECORD**, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That each Member of the Senate and House of Representatives (including each Delegate and Resident Commissioner); each officer and employee of the United States who (1) receives a salary at a rate of \$10,000 or more per annum or (2) holds a position of grade GS-15 or above, and each officer in the Armed Forces of the rank of colonel, or its equivalent, and above; and each member, chairman, or other officer of the national committee of a political party shall file annually with the Comptroller General a report containing a full and complete statement of—

(1) the amount and resources of all income and gifts (of \$100 or more in money or value, or in the case of multiple gifts from one person, aggregating \$100 or more in money or value) received by him or any person on his behalf during the preceding calendar year;

(2) the value of each asset held by or entrusted to him or by or to him and any other person and the amount of each liability owed by him, or by him together with any other person as of the close of the preceding year; and

(3) the amount and source of all contributions during the preceding calendar year to any person who received anything of value on his behalf or subject to his direction or control or who, with his acquiescence, makes payments for any liability or expense incurred by him.

SEC. 2. Each person required by the first section to file reports shall, in addition, file semiannually with the Comptroller General a report containing a full and complete statement of all dealings in securities or commodities by him, or by any person acting on his behalf or pursuant to his direction, during the preceding six-month period.

SEC. 3. (a) Except as provided in subsection (b), the reports required by the first section of this Act shall be filed not later than March 31 of each year; and the reports required by section 2 shall be filed not later than July 31 of each year for the six-month period ending June 30 of such year, and not later than January 31 of each year for the six-month period ending December 31 of the preceding year.

(b) In the case of any person required to file reports under this Act whose service terminates prior to the date prescribed by subsection (a) as the date for filing any report, such report shall be filed on the last day of such person's service, or on such later date, not more than three months after the termination of such service, as the Comptroller General may prescribe.

SEC. 4. The reports required by this Act shall be in such form and detail as the Comptroller General may prescribe. The Comptroller General may provide for the grouping

of items of income, sources of income, assets, liabilities, and dealings in securities or commodities, when separate itemization is not feasible or not necessary for an accurate disclosure of a person's income, net worth, or dealings in securities, and commodities.

SEC. 5. Any person who willfully fails to file a report required by this Act or who willfully and knowingly files a false report shall be fined \$2,000 or imprisoned for not more than five years, or both.

SEC. 6. (a) As used in this Act—

(1) The term "income" means gross income as defined in section 22(a) of the Internal Revenue Code.

(2) The term "security" means security as defined in section 2 of the Securities Act of 1933, as amended (U.S.C., title 15, sec. 77b).

(3) The term "commodity" means commodity as defined in section 2 of the Commodity Exchange Act, as amended (U.S.C., title 7, sec. 2).

(4) The term "dealings in securities or commodities" means any acquisition, holding, withholding, use, transfer, disposition, or other transaction involving any security or commodity.

(5) The term "person" includes an individual, partnership, trust, estate, association, corporation, or society.

(b) For the purposes of any report required by this Act, a person shall be considered to be a Member of the Senate or House of Representatives, an officer or employee of the United States and of the armed services as described in the first section of this Act, or a member, chairman, or other officer of the national committee of a political party, if he served (with or without compensation) in any such position during the period to be covered by such report, notwithstanding that his service may have terminated prior to December 31 of such calendar year.

SEC. 7. The Comptroller General shall have authority to issue, reissue, and amend rules and regulations governing the publication of reports, or any part of them. He shall prescribe fees to cover the cost of reproduction. In formulating such rules and regulations, he shall seek to maximize the availability of reports for purposes of informing the public and agencies and officials of the Federal and local governments, and to minimize use of such records for private purposes.

FIFTIETH ANNIVERSARY OF DISCOVERY OF THE NORTH POLE BY REAR ADM. ROBERT E. PEARY

Mrs. SMITH of Maine. Mr. President, yesterday, April 6, was the 50th anniversary of the discovery of the North Pole by a U.S. naval officer, Rear Adm. Robert E. Peary.

Although his accomplishment and his fame are deservedly international, the State of Maine is, needless to say, proud of Peary.

He was born in Cresson, Pa., in May of 1856, of Maine parents, and was brought up in Portland, Maine. Bowdoin College, in Brunswick, graduated him as a trained civil engineer in 1877. As a young man, he lived and worked as a surveyor and taxidermist in Fryeburg, Maine. With the first money he earned after college, he bought Eagle Island, in Casco Bay, Maine, and later established there the most nearly permanent, and certainly the best loved, home of his life.

In 1881, he was commissioned a lieutenant in the Civil Engineer Corps of the Navy, as a result of competitive examinations, and was assigned two projects, which he completed, in the tropics: the salvage and reconstruction of a col-

lapsed pier at Key West, Fla.; and the preliminary survey for a sea level, inter-oceanic canal through Nicaragua.

After his Nicaraguan duty, and while he was back on duty in Washington, he became interested in the Arctic. In 1886, 2 years before his marriage to Josephine Diebitsch, he began a series of expeditions to Greenland, which ended 23 years later with the discovery of the pole. The first two, in 1886 and 1892, were reconnaissance and experience trips. In 1892, and again in 1894, he crossed the great Greenland icecap from west to east.

In 1898, he was granted 4 years' leave, to pursue his Arctic work; and he spent from 1898 to 1902 in the Far North. That was his first expedition with the North Pole at its goal; and in the course of those 4 years he learned a valuable lesson. The ships of the time were unable, even in the summer months, to get him far enough north against the sea and the ice. By the time his men and dogs had trekked to the shores of the Arctic Ocean they were no longer fresh and strong enough to attain the Pole.

Back in Maine, he had the *Roosevelt*—named for his friend and supporter Theodore Roosevelt—specially designed and built. She was designed by a Maine man, incorporating special features of Peary's own, and was built in Bucksport, Maine, by Maine craftsmen especially for navigation in the ice. With the *Roosevelt* as a base, in 1906 he attained the farthest north yet reached by man, 87°06' N. latitude.

Finally, again using the *Roosevelt*, and on feet from which the toes had been amputated, after they were frozen years before, Peary walked the thousand miles to the pole and back in 1909. No other party has ever walked to the North Pole. Admiral Peary was the first man at either pole of the earth. After his last polar expedition, he devoted himself to the advocacy of aviation for defense and exploration.

Peary died in 1920. He left a son, Robert E. Peary, Jr., who is also a civil engineer, and who has spent years in the Arctic on military construction projects. He also left a daughter, Marie Peary Stafford, who has made a distinguished career of writing and lecturing and exploring on her own. Both hold degrees from Bowdoin College, Maine, although, by the nature of Bowdoin, Mrs. Stafford's degree must be honorary.

Three grandsons have followed the tradition of the naval service, all in naval aviation. One, Peary D. Stafford, after a distinguished combat record as a career pilot, was killed in a tragic mid-air collision in 1946; another is presently flying out of Guam as an electronics technician; the third, Comdr. Edward Peary Stafford, after a recent tour as operations officer of an airborne early warning squadron in the North Atlantic, is stationed in Washington as one of the two naval liaison officers to the Senate. In what spare time this assignment permits, he also writes and lectures.

Yesterday, Commander Stafford was present and spoke at the ceremony commemorating this 50th anniversary, at his grandfather's grave in Arlington Na-

tional Cemetery. I think his remarks were especially timely and well justified. I ask unanimous consent that they be printed at this point in the RECORD, in connection with my own remarks.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY COMDR. EDWARD PEARY
STAFFORD

In these days when our country finds itself challenged and threatened around the world, it is good for those of us in the armed services to examine our strength and our weakness.

I think we know our strength well enough.

Our weakness lies at least partially in a tendency toward softness, in an overemphasis on the easy, pleasant life available to us at home with our families. We tend to gripe when we are ordered to sea and we do not always feel that we are paid quite enough.

The distinguished naval officer whom we honor here today set us an example which is worth considering. For 25 years, he made repeated expeditions into the far north which at that time was months away and completely out of contact with the rest of the world. Year after year he spent away from his family, which he loved, doing the hardest kind of physical labor. Finally, when he was 53 years old, he walked the 500 miles over the broken ice and pressure ridges of the Polar Sea from Cape Columbia to the Pole and the 500 miles back. It took him 53 days. He did it for two reasons: First, because it had not been done before and was said to be impossible to do, and second, because he wanted the United States and the U.S. Navy to be first at the pole.

For 25 years of hard work, away from home, it paid very poorly, but he was well content.

This, I am proud to say, is the tradition of our Navy and it is good to remember.

AMENDMENT OF REORGANIZATION PLAN NO. 2 OF 1953

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. JAVITS in the chair). The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. HART in the chair). Without objection, it is so ordered.

Mr. HUMPHREY. Mr. President, the pending business, as I understand, is Calendar No. 131, Senate bill 144, to amend Reorganization Plan No. 2 of 1953.

The PRESIDING OFFICER. The Senator is correct.

The Senate resumed the consideration of the bill (S. 144) to amend Reorganization Plan No. 2 of 1953.

Mr. HUMPHREY. Mr. President, this bill was introduced on January 9, by me and some 20 cosponsors, and it is a bill which has received the approval of the Committee on Government Operations. Its purpose is to restore to the administrator of the Rural Electrification Administration the statutory authority for the granting of rural electrification loans vested in him by the Rural Electrification Act of 1936—Public Law 605, 74th Congress.

This authority, which the administrator exercised for so many years in the administration of what we all know has been a highly successful program, was assumed by the Secretary of Agriculture about a year and a half ago. The action to curb the administrator was taken, according to statements made by the Secretary and his general counsel, pursuant to the Reorganization Plan II of 1939 and Reorganization Plan No. 2 of 1953.

As a consequence of the Secretary's action, the REA Administrator today must have prior approval from an Assistant to the Secretary before he can make certain loans. These loans include all the major loans in both the electric and telephone programs.

The bill before the Senate for action and approval, S. 144, seeks to correct this situation before serious harm can be done to the REA program. The bill will put back in the Administrator's hands the loan-making authority originally vested in him by the Congress—an authority exercised by each Administrator through the years until the present period.

As Senators know, I introduced a bill for this purpose in the last Congress, that is, the 85th Congress. The session adjourned before the committee took action. In January of this year I introduced S. 144, and I am proud that the following distinguished Senators joined me in sponsorship of the bill: Senators MANSFIELD, HENNING, MAGNUSON, YARBOROUGH, JOHNSTON of South Carolina, HILL, LANGER, MURRAY, HARTKE, JACKSON, KERR, PROXMIER, MORSE, KEFAUVER, THURMOND, JORDAN, KENNEDY, FULBRIGHT, YOUNG of North Dakota, SPARKMAN, CARROLL, O'MAHONEY, DOUGLAS, MONRONEY, and MCCARTHY.

At this point, Mr. President, I should like to present the findings of the Committee on Government Operations, which deal with this highly important issue, as follows:

The Committee on Government Operations recommends the enactment of S. 144, after extensive examination of the operations of the Rural Electrification Administration since its establishment in 1936. In taking this action the committee bases its recommendation on the following factors:

1. It was clearly the intent of the Congress when it established the Rural Electrification Administration that all of its powers should be exercised by the REA Administrator. Section 1 of Public Law 605, 74th Congress, as originally enacted, reads:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby created and established an agency of the United States to be known as the 'Rural Electrification Administration', all of the powers of which shall be exercised by an Administrator."

2. It is also clear it was the intent of the Congress that the authority to grant rural electrification loans should be lodged directly in the REA Administrator, subject to the terms of the Rural Electrification Act. Section 2 of Public Law 605, 74th Congress, specifically authorized the REA Administrator to make loans, as follows:

"The Administrator is authorized and empowered to make loans in the several States and Territories of the United States for rural electrification and the furnishing of

*electric energy to persons in rural areas who are not receiving central station service, as hereinafter provided * * **

3. It is also clear that it was the intent of the Congress that the Rural Electrification Administration should be administered on a nonpolitical or nonpartisan basis. Section 9 of Public Law 605, 74th Congress, reads:

"This act shall be administered entirely on a nonpartisan basis, and in the appointment of officials, the selection of employees, and in the promotion of any such officials or employees, no political test or qualification shall be permitted or given consideration, but all such appointments and promotions shall be given and made on the basis of merit and efficiency."

4. As noted above, Reorganization Plan No. 2 of 1953 transferred all functions of the Rural Electrification Administration, including the REA Administrator's authority to grant loans, to the Secretary of Agriculture.

Although the present Secretary of Agriculture has delegated the performance of these functions to the present REA Administrator, it is the committee's finding that the vesting of the Rural Electrification Administrator's powers in the Secretary of Agriculture conflicts directly with long standing congressional intent expressed in the basic Rural Electrification Act.

It is, therefore, the committee's conclusion that, in the best interests of the rural electrification program, the powers specifically granted the REA Administrator by Public Law 605 of the 74th Congress relating to the granting of rural electrification loans should be restored.

These are the findings the Committee on Government Operations arrived at after long and careful consideration of the whole question of whether the loan-making power of the REA Administrator should be curtailed as it has been.

The bill before the Senate today is designed to accomplish two purposes: To keep REA intact as an agency, and to put loan-making back into the hands of the Administrator.

First. The bill, first of all, will prevent the Secretary of Agriculture from transferring the functions and activities of REA to other agencies, bureaus, or offices of the Department of Agriculture. It requires that the Rural Electrification Administration be kept intact within the Department of Agriculture as an integral unit, with all of the functions and duties pertaining to the administration of the Rural Electrification Act being performed by that unit. In this respect, no change has been made from the manner in which the Rural Electrification Administration actually has operated since it was first transferred to the Department of Agriculture back in 1939. It has always operated as an integral unit within the Department, and I am sure it is the intention of Congress that it shall continue to be so operated. This bill will insure that it will continue to be so operated.

Reorganization Plan II of 1939 provided for the operation of Rural Electrification Administration as a unit within the Department of Agriculture. Reorganization Plan No. 2 of 1953 gave the Secretary of Agriculture the authority to transfer records, property, personnel, appropriations, allocations, and other funds as he deems necessary to carry out the plan. Thus, under Reorganization Plan No. 2 of 1953, the Sec-

retary has the right to break up the integral unit that we know as REA and have its functions exercised by other agencies, bureaus, or offices of the Department of Agriculture.

When Reorganization Plan No. 2 of 1953 was being considered by the Congress, fears were expressed that the Secretary might transfer functions of REA to other parts of the Department.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. MANSFIELD. Is it true that within the Department of Agriculture, the Department in which the Rural Electrification Administration is now located, the powers of the Administrator of the REA have been diluted to an extent, in that he can approve loans up to a certain amount but with regard to loans above that certain amount someone else must step in to approve or disapprove?

Mr. HUMPHREY. The Senator is correct. For loans up to \$500,000 the REA Administrator has final approval, but for loans over \$500,000 the final approval rests with the Secretary of Agriculture or his assistant. I refer to an assistant to the Secretary of Agriculture, whose appointment is not confirmed by the Senate, who is only a departmental employee. It is a process, therefore, which vests final approval of REA loans of any significant amount in the hands of a person whose appointment is not confirmed by the Senate and who is not a Presidential appointee, yet who can supersede the authority of the REA Administrator, who is appointed by the President and whose appointment must be confirmed by the Senate.

Mr. MANSFIELD. Mr. President, will the Senator yield further?

Mr. HUMPHREY. I yield.

Mr. MANSFIELD. Is it not true that the Administrator of the REA at the present time is supposedly acting under the direction of the Secretary of Agriculture?

Mr. HUMPHREY. The Senator is correct.

Mr. MANSFIELD. Why is it necessary to have another person to pass upon loans above \$500,000, when the Administrator's appointment is confirmed by the Senate and the Administrator himself is a Presidential appointee? The Administrator can pass upon loans only up to \$500,000. Why is there such a discrepancy? Why is there a diminution of power on the part of the Administrator of REA, who is supposed to be in control of this particular segment of the Department of Agriculture?

Mr. HUMPHREY. It is to that very obvious weakness in the present situation that the bill, S. 144, is directed. S. 144 would remove the middleman and the authority of the middleman, who is the assistant to the Secretary and who presently exercises the authority.

Senate bill 144 would also make it mandatory that the REA be preserved as an integral unit in the Department of Agriculture, with the loan-making authority of the Administrator exclusive and not subject to the whim or control of anyone, including the Secretary.

Mr. MANSFIELD. I thank the Senator. If he will yield further, I believe

I am correct in stating this is not the first time the distinguished senior Senator from Minnesota has introduced such a bill.

Mr. HUMPHREY. It is not. In fact, I introduced a similar bill in the 85th Congress.

Mr. MANSFIELD. This is the first time, however, the measure has come to the floor of the Senate for consideration and, I hope, for approval.

Mr. HUMPHREY. The Senator is correct. It is our hope that we shall be able to expedite action on this measure. I believe the bill represents a reform which is long overdue and a reform which the evidence indicates is vitally needed.

Mr. MANSFIELD. Mr. President, will the Senator yield further?

Mr. HUMPHREY. I yield.

Mr. MANSFIELD. I am happy to be a cosponsor of the bill along with some 20 other Senators, under the leadership of the senior Senator from Minnesota.

Is there anything in the measure which would tend to keep the interest rates of the REA's at 2 percent, rather than to raise them to a contemplated 4-percent figure about which I have heard rumors from time to time as being in accord with the policy of the administration?

Mr. HUMPHREY. The bill is not directed toward the question of interest rates. It would, however, maintain intact the present 2 percent interest rate, because the bill does not in any way seek to amend that portion of the law. The bill does not propose to raise the interest rate, but would preserve the status quo in terms of the interest rate.

This is essentially an organization bill, and it relates to the organizational structure of the Rural Electrification Administration.

Mr. MANSFIELD. Mr. President, will the Senator yield further?

Mr. HUMPHREY. I yield.

Mr. MANSFIELD. Can the Senator tell us what is the record of repayment, generally speaking, on the part of the REA's? I raise that question because in my opinion there has never been a finer piece of legislation passed than the Rural Electrification Administration Act. It has been a great boon and has brought much benefit to our farmers.

I raise the question also because, as I have stated many times, in my own State—and I think the Senator from Minnesota is the source of my information—the REA program has been one of the greatest assets for private industry, as represented by General Electric, Westinghouse, and other corporations. That is because when the REA's electrify the farms the farmers buy their freezers, radios, TV sets, refrigerators and other items from the large appliance manufacturers. Is that a correct statement?

Mr. HUMPHREY. The Senator is correct. I believe the figure was once given that for every dollar of investment in the rural electrification program—

Mr. MANSFIELD. An investment in America.

Mr. HUMPHREY. The Senator is correct. For every dollar of investment in

the rural electrification program, an investment in America, such as the REA distribution lines and the REA generation plants, approximately \$6 or \$7 of additional sales are generated for the large producers of electrical appliances.

In other words, every \$1 investment in the REA's produces \$6 or \$7 worth of business in the channels of commerce on the part of the private merchants—the wholesalers, manufacturers, and distributors.

Mr. MANSFIELD. It is a dollar invested by the Government, fully repayable, with interest.

Mr. HUMPHREY. With interest.

Mr. MANSFIELD. And that dollar investment brings about \$6 or \$7 worth of business for the private industries of the country.

Mr. HUMPHREY. That is correct.

I should like to make one other point. Approximately \$3 billion has been made available for the REA program in the period since 1935, which is approximately 23 years. Approximately \$3 billion has been made available for loans to rural electric cooperatives, and of that \$3 billion more than \$1 billion has already been repaid, with interest. Payments have been made, in most instances, ahead of schedule. There has been a record of repayment to the Government on the part of the REA's which is second to none in any area of American private enterprise. For example, I know of no industry which has a better record of repayment. I know of no great construction area, such as housing or commercial plants, with a better record of repayment. This has been good business all the way down the line.

Mr. MANSFIELD. Mr. President, will the Senator yield further?

Mr. HUMPHREY. I yield.

Mr. MANSFIELD. In my opinion the farmer-owned, farmer-managed cooperatives have been one of the greatest assets ever made available to the American farmers.

I am very happy and proud to join, under the leadership of the distinguished senior Senator from Minnesota, in sponsoring the proposal. I hope when the time comes for a vote we shall be able to pass the measure overwhelmingly, because it is long overdue.

I thank the Senator.

Mr. HUMPHREY. I am deeply grateful to the Senator from Montana not only for his remarks and his contribution to this discussion but also for his cosponsorship of the measure which is before the Senate and for his long dedication to the rural electrification program.

Mr. CURTIS. Mr. President, will the distinguished Senator from Minnesota yield?

Mr. HUMPHREY. I am happy to yield.

Mr. CURTIS. The REA was originally conceived and set up as an independent agency, was it not?

Mr. HUMPHREY. The Senator is correct.

Mr. CURTIS. The Senator has agreed that the REA was originally conceived as an independent agency. The two Reorganization Acts, the one of 1939 and the one of 1953, placed the REA in the

Department of Agriculture and gave the Secretary of Agriculture general authority, along with the Administrator. Is not that correct?

Mr. HUMPHREY. Yes. They gave the Secretary of Agriculture what is called general supervision, but maintained the integrity of the loan-making authority of the Administrator.

Mr. CURTIS. The Senator's bill, as reported from the committee, on page 2, lines 15 and 16, contains the following language: "under the general direction and supervision of the Secretary of Agriculture"—

Mr. HUMPHREY. Yes.

Mr. CURTIS. "Except—" What is it that is excepted under the terms of the Senator's bill that would not be excepted under the general supervision of the Secretary of Agriculture?

Mr. HUMPHREY. The main function of the Administrator of the Rural Electrification Administration is to grant loans, or to make decisions as to whether or not loans should be granted. The purpose of the REA was to provide long-term loans at low rates of interest for the development of rural electric facilities—and, in this instance, rural electric cooperative facilities.

The exception provided for in Senate bill 144, in lines 16 through 22, is as follows: "except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture."

Mr. CURTIS. In other words, if Senate bill 144, as amended by the committee, becomes law, the Secretary of Agriculture will continue to have general direction and supervision of the REA program, except as to the granting of loans.

Mr. HUMPHREY. The Senator is correct. He will have the bookkeeping functions. He will have what may be called the housekeeping functions. He will present the Rural Electrification budget to the committees of the Congress. When I say "he" I mean the Secretary of Agriculture, obviously with the Administrator of the Rural Electrification Administration alongside him for whatever expert technical information may be required.

What Senate bill 144 seeks to accomplish is to restore unmistakably and unqualifiedly the situation which prevailed from 1939 to 1953, the situation which prevailed before Reorganization Plan No. 2 of 1953. However, inasmuch as there was some doubt as to whether the Secretary still maintained a residual power over loanmaking, Senate bill 144 would make it absolutely clear, beyond a shadow of a doubt, that the Secretary has no control whatsoever, in any form, shape, or manner, over the granting or disapproval of loans by the REA Administrator.

Mr. CURTIS. I thank the Senator.

Mr. HUMPHREY. Mr. President, at this point I believe it would be well to have the language of Senate bill 144, as proposed to be amended by the commit-

tee by an amendment in the nature of a substitute, printed in the RECORD. I ask unanimous consent that that be done.

There being no objection, the committee amendment was ordered to be printed in the RECORD, as follows:

That the functions and activities of the Rural Electrification Administration and the Administrator of the Rural Electrification Administration which were transferred to the Department of Agriculture and to the Secretary of Agriculture by Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953 are hereby transferred to the Administrator of the Rural Electrification Administration, and shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture; except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture.

Mr. HUMPHREY. The Secretary, however, assured us that he would not take any steps to change the operations of REA without first consulting the Congress. It was only on the basis of this assurance that many of us approve this reorganization plan.

I should add at this point that there had been no complaints about REA and its administration prior to this reorganization plan. The reorganization plan was a product of the Hoover Commission reports on the Department of Agriculture.

The Secretary testified at length about this plan. I was a member of the subcommittee which heard that testimony, and a member of the full committee which finally passed upon the reorganization plan. As I recall—and I believe the record will bear me out—there were no complaints about the manner in which REA was being administered. The whole purpose of the reorganization plan was to give the Secretary more general authority and supervision over the REA than had been possible under the reorganization plan of 1939. In other words, the reorganization plan of 1953 was to consolidate further the Secretary's general authority and supervision over all aspects of Rural Electrification Administration activities.

What the proposal now before the Senate, Senate bill 144, seeks to do is to restore the situation as it was prior to 1953, and to make it even more clear and precise that the REA Administrator is to have complete independence over the granting or disapproval of loans; and that the banking functions, the loaning functions, the financial functions, are not to be subject to partisan or political domination on the part of a Cabinet officer. Rather, those functions are to be undertaken and fulfilled by an officer who has been appointed on a nonpartisan basis, whose nomination has been confirmed by the Senate, and whose term of office is 10 years, extending beyond the first 4-year term of a President, and even beyond the 8 years represented by two terms.

The purpose of the bill is to make as clear as possible the independence—and

I underscore that word—of the REA Administrator in the essential function he is to perform, namely, the loan-making function, the financial function.

So far as concerns the question whether or not the REA Administrator is to have enough paper clips or enough stationery, and so far as concerns the REA administration in terms of its overall housekeeping budget for custodial services, telephone service, personnel, and so forth, such items are to be included as agency items in the budget of the Department of Agriculture, just as many other aspects of the Department of Agriculture are presented in the budget.

We are not attempting to interfere with what is considered to be sound administrative practice in terms of housekeeping and budget functions. We are attempting to carry out the intent of Congress in 1935, and again in 1939. We intend to make absolutely clear and unmistakably certain the intent of Congress, namely, that the REA Administrator shall be independent in his financial and loan-making responsibilities. That was the purpose of the act.

However, events have taken a different course from that which was outlined before our committees in 1953. The Secretary made what many of us consider to be an important change in the functions of the Administrator without consulting the Congress. In fact, the change was made so secretly that it was not until weeks after the change had been made that any of us even knew about it. That change was to require that the Administrator could make no loan over \$500,000, and no loan to a new borrower, without the prior review of the loan application by a man on the Secretary's staff who carries the title of Director of the Agriculture Credit Service. More recently, the approval figure was changed to \$1 million. This action took place just as our committees began consideration of the bill last month.

Experience has shown that REA has functioned extremely well as an integral unit within the Department of Agriculture, but experience has also demonstrated that we can have no assurance that it will continue to be operated as an integral unit unless we so provide by law.

In fact, Reorganization Plan No. 2 of 1953 gives the Secretary of Agriculture the authority literally to dissect REA. He could, under his powers in that reorganization plan distribute the functions which are currently being performed by the Rural Electrification Administration among other agencies and bureaus of the Department of Agriculture.

The bill before the Senate, S. 144, would require that the REA be maintained as an integral unit, as a unified unit, as an autonomous unit within the Department of Agriculture. It would make it absolutely mandatory that the Rural Electrification Administrator have complete power over all loanmaking and financial functions relating to the granting or disapproval of loans to rural cooperatives.

Second. Let me turn now to the second important part of S. 144. As I have

already pointed out, the bill provides that the functions of the Administrator in connection with the approval and disapproval of loan applications will be completely free of the supervision, direction, and control of the Secretary.

Senators will recall that the REA Administrator is appointed by the President with the consent of the Senate. He has an efficient staff to assist and advise him in connection with loan applications. There is no need for, and nothing useful can be accomplished by, a review of loan applications after the Administrator has made his final review. If the Administrator and his staff cannot be trusted to make the correct decisions, then efficient operation calls for a strengthening of the staff or a change in Administrators, not the superimposing of an additional authority over the Administrator. Since there has been no accusation of inefficiency or impropriety on the part of the REA staff or the Administrator, there is only one explanation for this erosion of his authority, and that is that a political test has been added to the requirements of the Rural Electrification Act. The Rural Electrification Act calls for nonpolitical administration, and it has been so administered—at least until this new procedure was imposed. Senate bill 144 will place the final authority for the making or disapproval of loans where Congress intended that it should be placed, namely, solely—I repeat, solely—in the Administrator.

The bill is based on sound management principles. It establishes specific responsibilities in the hands of the Administrator and provides him with the necessary authority to carry out those responsibilities. This is not a singular practice; indeed, it is the kind of good administration that has been followed in many other cases.

I should like to call attention to other instances in which Federal agencies which are parts of Federal departments are given functions not subject to the supervision, direction, or control of the Secretary of that department.

Take the case of the Federal Maritime Board. Here we have an agency within the Department of Commerce. However, it is independent of the Secretary of Commerce with respect to certain of its functions, even though it is to be guided by his policies with respect to all other functions.

Take the case of the Bureau of Mines. This Bureau is an agency of the Department of the Interior. Yet certain of its decisions are subject, not to the control of the Secretary, but to that of the Federal Coal Mines Safety Board of Review, which is an independent agency outside the Interior Department.

Another analogous situation concerns the General Counsel of the National Labor Relations Board, who was made independent of the Board in many respects. In fact, his entire office is independent of the Board in many respects.

On the basis of this, we can see that we are following well-tried practice. It is perfectly consistent with sound governmental organization and functioning to commit finally to the head of an

agency certain functions of such agency, even though in other respects the agency head is subject to the general supervision and control of the head of the Department in which the agency is located.

Some have expressed concern that the bill would give the Administrator the functions and activities of the program but would leave him without the property, records, personnel, and funds for exercising and administering these functions and activities.

This argument has no validity. Senate bill 144 does not purport to make REA an independent agency. We want REA to continue to be an agency in the Department of Agriculture, but we also want it to be continued as a unit within the Department of Agriculture. It is because REA has been an effective unit that it has been so successful in accomplishing a job which, a quarter of a century ago, all the experts said could not be done.

Until the Secretary took over the review of major loans, the REA Administrator was exercising his duties and functions under a delegation of authority from the Secretary. He operated REA as a unit. It was not split up and dispersed among other bureaus in the Department as could have been done by the Secretary if he had so wished it.

Senate bill 144, in addition to restoring the loan-making authority to the Administrator, merely makes sure that REA will continue in that manner. The bill makes sure there will be no change in any way in REA until Congress decides a change is called for. In other words, the Secretary cannot distribute the functions of REA, but is required to maintain REA as an autonomous unit, an integrated unit, a unified unit within the Department of Agriculture. The loan-making and fiscal responsibilities of the agency would be exclusively the prerogative of the Administrator.

I should like to call attention to the fact that Congress now appropriates the money for the administration of the Rural Electrification Act, designating separate amounts within the total appropriation for the Department of Agriculture for this purpose. This will not be changed in any way.

Senate bill 144 makes no change whatsoever in the status of REA's career employees. This staff will continue to operate as an integral and dynamic unit in the Department of Agriculture. The Secretary of Agriculture and the Bureau of the Budget will have no more power than they now have to withhold any money appropriated by the Congress for the employment of these staff members in the administration of REA.

Because the Secretary will no longer have authority to make drastic changes in REA administration without taking such measures through congressional legislative channels, S. 144 will offer assurance and peace of mind to REA employees. Even more to the point, it will give assurance to millions of rural people who are dependent for electricity upon rural electric systems that their REA program will go forward on the road to continued success as long as Congress deems that the present structure is justified.

It is not true, as has been suggested, that under S. 144 "the Administrator has the horse but no feed, the Secretary has the feed but no horse." The Administrator is assured, under this bill, of all the "feed" which Congress gives for the maintenance of his "horse." The personnel and administrative funds to operate REA will be available to him exactly as they are now.

Thus, S. 144 does exactly what we want it to do—and it does it in a simple and efficient manner. It makes the Administrator the sole and final authority in connection with the making of loans, and it insures the continued operation of the Rural Electrification Administration as an integral unit within the Department of Agriculture.

It has been suggested by some that S. 144 does not go far enough, and that REA should be completely removed from the domination of the Secretary of Agriculture.

My own opinion is that this is too radical a step to take in solving the problem we have before us. The creation of another independent agency to handle the REA program is, in my opinion, undesirable for several reasons:

First. It goes beyond the immediate problem we are trying to solve, and that is the question of who should have the final authority to make REA loans.

Second. The creation of another independent agency flies in the face of all we have learned about good Government administration. We would simply be piling up new problems of government by increasing the number of separate and independent agencies.

I might add that the two Hoover Commission reports have had as their central purpose the grouping together and the consolidation of agencies, rather than their proliferation. An attempt has been made to simplify and coordinate administration, rather than to disperse it. Therefore, S. 144 meets the basic requirements of the Hoover Commission recommendations, namely, the grouping within the jurisdiction and scope of the Department of all related activities. At the same time, because it is a unique function of REA, the granting of loans would be removed completely from any kind of political pressure or potential political pressure. The granting of loans is the sole prerogative of a nonpartisan, presidentially-appointed, Senate-confirmed Administrator of the Rural Electrification Administration. It seems to me that these principles are valid now, as they have been in the past.

Third. We know that REA can work successfully as a part of the Department. The record from 1939 until the time the Secretary transferred the Administrator's loan-making authority demonstrates the success that can be achieved by REA in the Department of Agriculture.

Fourth. It has been said that if it is desirable to separate REA's loan-making function from the Secretary, it should be just as desirable to separate REA's budget procedure as well. I contend that this does not necessarily follow. Congress cannot study individual loans, but it always has the opportunity to study

the budget before final action is taken. Our only aim is to curb the Secretary's domination in the area of loans because it is in that area, where any type of political pressure would be highly significant.

Fifth. Many of us feel—and I believe the record bears this out—that rural electrification and the Department of Agriculture belong together. REA has been benefited, in my opinion, by its association with the Department of Agriculture, and with the Agriculture Committees both of the Senate and House. This is not to say that other Committees and other procedures might not work. However, I believe that it is wise not to tamper with what has proved to be a useful and fruitful relationship.

The legislation embodied in S. 144 has the widespread support of those interested in rural electrification throughout the country. Time and again in the past 2 years they have expressed deep concern about the new and unprecedented restriction of the REA Administrator's loan-making authority.

For 2 years now the rural electric co-operatives in their regional meetings have passed resolutions in support of legislation of the kind embodied in S. 144.

They have adopted resolutions which on the one hand would maintain REA within the confines of the Department of Agriculture, but at the same time would maintain the loanmaking power of the Administrator separate and independent from the jurisdiction of the Secretary of Agriculture.

Many of the State associations have passed similar resolutions. As a matter of fact, many witnesses who are members of State associations have testified before committees of Congress in support of the objectives outlined in S. 144. A year ago at Dallas, and this winter at the National Guard Armory in Washington, D.C., the National Rural Electric Cooperative Association, at its annual meetings, approved such resolutions.

They affirmed the principles and the language of S. 144 seeking to restore the REA to the status it enjoyed from 1939 to 1953; and to restore the loan-making authority of the Administrator of REA as being independent of any control or domination by the Secretary of Agriculture or any of his appointees.

What the co-op people are saying is that they do not believe a captive Administrator is good for them or for the program.

The bill (S. 144) will insure that any decision the Administrator makes on loans will be his own decision. It will insure that policy considerations relating to rural electrification shall be given Cabinet status; in other words, that REA shall be represented through the Secretary of Agriculture in the President's official family, the Cabinet of the President of the United States, an independent agency loses that distinction, that fine qualification.

REA by being maintained within the household of the Department of Agriculture, but at the same time with its function of loan making being independent of and without control from any other source than the Administrator of

REA, would enjoy the prestige that comes from being a part of Cabinet-Government policy.

Furthermore, I am of the opinion that an independent REA would soon lend itself to the policies which are being relentlessly pursued in some quarters, namely, policies to increase interest rates and policies to restrict the financing powers of the REA. When REA is at least brought within the confines of the overall policy considerations of the executive branch of the Government, particularly the Department of Agriculture, Congress will have an opportunity to review such policies within the broad confines of national policy, and to protect the REA interests as being important to the formation of a sound and progressive agriculture.

I am concerned that if changes of a more radical nature are made—namely, changes which will take REA completely out of the confines of the Department of Agriculture—REA soon will be looked upon as a bank, or an institution having banking characteristics, requiring higher interest rates and more stringent loan terms. That will in many ways reduce the effectiveness of this splendid agency. It will in many ways cripple or limit a sound and humanitarian agricultural program.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point the statement or newsletter issued by the National Rural Electric Cooperative Association for April 1959, entitled "The Humphrey-Price REA Bill." It is a question-and-answer newsletter. The first question is:

What is the Humphrey-Price REA bill?

Then the following questions are listed:

What is the purpose of this bill?

Why is the bill necessary?

Don't present laws accomplish this?

Have any loans been affected?

Has the Secretary explained why he put a curb on the Administrator?

If the Secretary's domination over REA is undesirable, why not take REA out of the Department of Agriculture altogether?

Can an agency be partly subject to the Secretary's general supervision and direction and partly not?

How does the bill affect REA employees?

Can S. 144 and H.R. 1321 operate as a "riper" bill, by transferring duties and functions to the Administrator without also transferring to him personnel, records, etc.?

Why should the Administrator have full authority over loans?

How do the rural electric people feel about this bill?

In the main, those are the questions which are asked in this National Rural Electric Cooperative Association bulletin for April 1959. The questions have been asked, and the answers have been stated. I have found this particular bulletin to be a concise and succinct analysis of the proposed legislation that is before us. I have also found that it answers unmistakably and very directly the counter-proposals or substitute proposals which have been offered from time to time and which may be offered in the future. I ask unanimous consent that the text of the bulletin to which I have referred be printed at this point in the RECORD.

There being no objection, the bulletin was ordered to be printed in the RECORD, as follows:

THE HUMPHREY-PRICE REA BILL

Question. What is the Humphrey-Price REA bill?

Answer. S. 144 in the Senate and H.R. 1321 in the House read as follows:

S. 144

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the functions and activities of the Rural Electrification Administration and the Administrator of the Rural Electrification Administration which were transferred to the Department of Agriculture and to the Secretary of Agriculture by Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953 are hereby transferred to the Administrator of the Rural Electrification Administration, and shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture; except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture."

H.R. 1321

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the functions and activities of the Rural * * * exactly the same as S. 144.

Question. What is the purpose of this bill?

Answer. It has two purposes:

First, it will restore to the REA Administrator the authority to approve or disapprove loans without supervision or direction of, or any other control by, the Secretary of Agriculture.

Second, it will keep REA intact as an effective operating unit within the Department of Agriculture.

Question. Why is the bill necessary?

Answer. Legislation is required to reaffirm the nonpolitical independence with which Congress intended the Administrator to act and to reinstate the powers which Congress intended the Administrator to exercise.

Question. Don't present laws accomplish this?

Answer. Apparently not. In May 1957 the Secretary under his reorganization powers took over the Administrator's loanmaking authority. Neither the public nor committees of Congress have been able to discover any standards or criteria—political, personal or ideological—which have been established for the loan review he set up.

Question. Have any loans been affected?

Answer. Yes. At least one has been sidetracked. Others have been delayed but fortunately without serious harm to anyone. The Secretary took over the Administrator's loanmaking authority in May 1957 at a time when REA was processing a large application from a group of Indiana co-ops. This loan was not made then. It still has not been made.

What concerns the rural electric co-ops however, is not what has happened up to now but what they expect will happen if this bill isn't approved and when public attention turns to something else.

Question. Has the Secretary explained why he put a curb on the Administrator?

Answer. No, not publicly. Instead he has maintained that in practice the Administrator's authority has not been lessened. Yet he objects to legislation which merely confirms the practices which he alleges are being followed.

Question. If the Secretary's domination over REA is undesirable, why not take REA out of the Department of Agriculture altogether?

Answer. Such a radical step would perhaps solve one problem but it would create many others. REA has benefited from its association over the years with USDA and the Agriculture Committees in Congress. The record prior to 1957 demonstrates that an aggressive and successful program is possible with REA in the Department. The bill consequently deals only with the problem at issue and seeks to restore REA to the status that proved to be so effective in the past.

Question. Can an agency be partly subject to the Secretary's general supervision and direction and partly not?

Answer. Yes. REA functioned that way successfully from 1939 to 1957. REA was under the general supervision and direction of the Secretary but the Administrator had final authority on loans. Other agencies in the Government similarly have specific functions that are independent of departmental control. Examples include the Federal Maritime Board, an agency of the Department of Commerce; the General Counsel of the National Labor Relations Board; and Bureau of Mines of the Department of Interior.

Question. How does the bill affect REA employees?

Answer. First of all, the bill makes no changes at all in their status. The Secretary has no more power under the bill than he now has to withhold REA appropriations.

Second, the bill does assure them of the continuation of the REA program as a unit because the Secretary's power to redistribute its functions among other agencies of the department will be eliminated.

Question. Can S. 144 and H.R. 1321 operate as a "ripper" bill, by transferring duties and functions to the Administrator without also transferring to him personnel, records, etc.?

Answer. Absolutely not. This bill does not change the status of personnel, etc., except that it insures continued operation of REA as an integral and dynamic unit within the Department of Agriculture. Appropriated administrative funds and the personnel needed to administer the program will still be made available, exactly as they are now.

Question. Why should the Administrator have full authority over loans?

Answer. First, the Administrator is selected exclusively for the REA job and his qualifications can therefore be considered purely from that standpoint.

Second, Congress indicated that the office should have substantial stature when the original REA Act specified that the Administrator should be appointed by the President for a 10-year term and confirmed by the Senate.

All this serves to provide for good, efficient administration because it tends to keep political considerations out of decisions that should be made on the basis of legal, economic and technical standards.

Question. How do the rural electric people feel about this bill?

Answer. The Humphrey-Price bill has the full support of the rural electric systems. They feel that at present they are being denied access to the real REA Administrator—that is, to the man who makes the decision on their loans.

At State, regional and national meetings for the last 2 years, the rural electric officials have passed resolutions calling for congressional action on this problem. Last summer when hearings were held on similar bills, rural electric representatives came in from all over the country. Twenty-five of them testified and nearly 100 other officials felt strongly enough to come to Washington and express their support.

The REA program has had phenomenal success. Farm electrification has gone from 10 percent to more than 95 percent. Three billion dollars in sound loans have been made and already \$1 billion have been paid back to Uncle Sam. What this bill will do is restore REA to the kind of organization it had during the 23 years this record was achieved.

Mr. HUMPHREY. Mr. President, I also ask unanimous consent to have printed in the RECORD the resolutions of the cooperatives which have been adopted in the past year or so. The resolutions relate to proposed legislation which is now before us, to the Humphrey-Price bill of 1958, and to the present Humphrey-Price bill, Senate 144, which is before the Senate this year.

There being no objection, the resolutions were ordered to be printed in the RECORD, as follows:

RURAL ELECTRIC SYSTEMS IN REGION I

The following resolution was adopted at the regional meeting held in Philadelphia, Pa., September 30–October 1, 1957, by rural electric systems operating in the States of Delaware, Maine, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, North Carolina, Vermont and Virginia:

"REORGANIZATION OF REA

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA which will allow partisan control; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

Resolved, That as soon as the Congress reconvenes in January that a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished on a nonpartisan basis as it was prior to the passage of the Reorganization Act."

RURAL ELECTRIC SYSTEMS IN REGION II

The following resolution was adopted at the regional meeting held in Atlanta, Ga., October 17–18, 1957, by rural electric systems operating in the States of Georgia, Florida and South Carolina:

"REORGANIZATION OF REA

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an administrator to the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas the Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in his letter to Senator HUMPHREY dated August 30, 1957 Secretary Benson asserts that he has the authority to

'review, reverse, amend, annul, or affirm' all proceedings in REA or other agencies: Now, therefore, be it

Resolved, That we are vigorously opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

Resolved, That as soon as the Congress reconvenes in January, a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished as it was prior to the passage of the Reorganization Act."

RURAL ELECTRIC SYSTEMS IN REGION III

The following resolution was adopted at the regional meeting held in Mobile, Ala., October 14–15, 1957, by rural electric systems operating in the States of Alabama, Mississippi, Kentucky, and Tennessee:

"REORGANIZATION OF REA

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June, 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA; now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA which will allow partisan control; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

Resolved, That as soon as the Congress reconvenes in January, a bill be introduced and passed exempting REA from the reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished on a nonpartisan basis as it was prior to the passage of the Reorganization Act."

RURAL ELECTRIC SYSTEMS IN REGION IV

The following resolution was adopted at the regional meeting held in Toledo, Ohio, September 16–17, 1957, by rural electric systems operating in the States of Ohio, Indiana, Michigan, and West Virginia:

"REORGANIZATION OF REA

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June, 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA; now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

Resolved, That as soon as the Congress reconvenes in January that a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished as it was prior to the passage of the Reorganization Act."

RURAL ELECTRIC SYSTEMS IN REGION V

The following resolution was adopted at the regional meeting held in Springfield, Ill., October 10-11, 1957, by rural electric systems operating in the States of Illinois, Iowa, and Wisconsin:

"REORGANIZATION OF REA

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA which will allow partisan control; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

"Resolved, That as soon as Congress reconvenes in January a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished on a nonpartisan basis as it was prior to the passage of the Reorganization Act."

RURAL ELECTRIC SYSTEMS IN REGION VI

The following resolution was adopted at the regional meeting held in Minneapolis, Minn., October 31-November 1, 1957, by rural electric systems operating in the States of Minnesota, North Dakota, and South Dakota:

"REORGANIZATION OF REA

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan, political agency; and be it further

"Resolved, That we urge that as soon as the Congress reconvenes in January that a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished as it was prior to the passage of the Reorganization Act."

RURAL ELECTRIC SYSTEMS IN REGION VII

The following resolution was adopted at the regional meeting held in Cheyenne, Wyo., September 23-24, 1957, by rural electric systems operating in the States of Colorado, Kansas, Nebraska, and Wyoming:

"REORGANIZATION OF REA

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President with confirmation by the Senate for a 10-year

term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957 the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

"Resolved, That as soon as the Congress reconvenes in January that a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished as it was prior to the passage of the Reorganization Act."

RURAL ELECTRIC SYSTEMS IN REGION VIII

The following resolution was adopted at the regional meeting held in New Orleans, La., September 19-20, 1957, by rural electric systems operating in the States of Oklahoma, Arkansas, Louisiana, and Missouri:

"REORGANIZATION OF REA

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957 the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA; and

"Whereas in his letter to Senator HUMPHREY dated August 30, 1957, Secretary Benson asserts that he has the authority to 'review, reverse, amend, annul, or affirm' all proceeding in REA or other agencies: Now, therefore, be it

"Resolved, That we are vigorously opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

"Resolved, That as soon as the Congress reconvenes in January that a bill be introduced and passed exempting REA from the Reorganization Act of 1953 and that this same bill stipulate that REA is to be reestablished as it was prior to passage of the Reorganization Act."

RURAL ELECTRIC SYSTEMS IN REGION IX

The following resolution was adopted at the regional meeting held in Portland, Oreg., November 4-5, 1957, by rural electric systems operating in the States of Washington, California, Idaho, Montana, Oregon, Utah, and Alaska:

"REORGANIZATION OF REA

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA which will allow partisan control; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

"Resolved, That as soon as the Congress reconvenes in January a bill be introduced and passed exempting REA from the Reorganization Act of 1953, and that this same bill stipulate that REA is to be operated on a nonpartisan basis as it was prior to the passage of the Reorganization Act."

RURAL ELECTRIC SYSTEMS IN REGION X

The following resolution was adopted at the regional meeting held in Dallas, Tex., November 9-10, 1957, by rural electric systems operating in the States of Texas, Arizona, and New Mexico:

"REORGANIZATION OF REA

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary failed to consult Congress or other interested groups before requiring that all loans of \$500,000 or more be reviewed by persons outside REA: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA which will allow partisan control; we are absolutely opposed to this recent action by Secretary Benson which threatens to make REA a partisan political agency; and be it further

"Resolved, That as soon as the Congress reconvenes in January a bill be introduced and passed exempting REA from the Reorganization Act of 1953, and that this same bill stipulate that REA is to be on a nonpartisan basis as it was prior to the passage of the Reorganization Act."

RESOLUTION ADOPTED AT THE 16TH ANNUAL MEETING OF THE NATIONAL RURAL ELECTRIC CO-OP. ASSOCIATION, DALLAS, TEX., FEBRUARY 3-6, 1958—REORGANIZATION PLAN No. 2, U.S. DEPARTMENT OF AGRICULTURE

Whereas the current Secretary of Agriculture has violated the trust of the Congress in regard to the changes he has made in the structure and functioning of REA; and

Whereas REA can no longer function efficiently and effectively as a result of this action by the Secretary of Agriculture; and

Whereas this situation has been brought about by passage of the Reorganization Plan No. 2 of 1953; and

Whereas Senator HUMPHREY has introduced a bill, S. 2990, providing "That section 1 of Reorganization Plan No. 2 of 1953 shall not hereafter apply to the Rural Electrification Administration, and there are hereby transferred to the Administrator of the Rural Electrification Administration all functions which were transferred from the Administrator to the Secretary of Agriculture by such Reorganization Plan": Now, therefore, be it

Resolved, That we support S. 2990 which would rectify the situation.

RURAL ELECTRIC SYSTEMS IN REGION I

The following resolution was adopted at the regional meeting held in Burlington,

Vt., September 25–26, 1958, by rural electric systems operating in the States of Delaware, Maine, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, North Carolina, Vermont and Virginia:

"REA REORGANIZATION"

"Whereas the original RE Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office; and

"Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA; and be it further.

"Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RURAL ELECTRIC SYSTEMS IN REGION II

The following resolution was adopted at the regional meeting held in St. Petersburg, Fla., November 3–4, 1958, by the rural electric systems operating in the States of Georgia, Florida, and South Carolina:

"REORGANIZATION OF REA"

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office; and

Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

"Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, as amended by the House subcommittee, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RURAL ELECTRIC SYSTEMS IN REGION III

The following resolution was adopted at the regional meeting held in Gatlinburg, Tenn., September 15–16, 1958, by rural electric systems operating in the States of Alabama, Mississippi, Kentucky, and Tennessee:

"REA REORGANIZATION"

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in

REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and all loans of whatever amount to new borrowers, be reviewed by the Secretary's office: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

"Resolved, That the new Congress convening in 1959 be urged to introduce and pass a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original REA Act of 1936, be introduced and pass."

RURAL ELECTRIC SYSTEMS IN REGION IV

The following resolution was adopted at the regional meeting held in French Lick, Ind., September 4–5, 1958, by rural electric systems operating in the States of Ohio, Indiana, Michigan and West Virginia:

"REA REORGANIZATION"

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committee and other interested groups; and

"Whereas in June 1957 the Secretary did reorganize REA by requiring that all loans of \$500,000 or more and all loans of whatever amount to new borrowers, be reviewed by the Secretary's office; and

"Whereas Secretary Benson has proposed a bill to the Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

"Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RURAL ELECTRIC SYSTEMS IN REGION V

The following resolution was adopted at the regional meeting held in Madison, Wis., September 29–30, 1958, by rural electric systems operating in the States of Illinois, Iowa, and Wisconsin:

"REA REORGANIZATION"

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committee and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office; and

"Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and

telephone cooperatives to Wall Street for their financing: Now, therefore, be it

Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

"Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RURAL ELECTRIC SYSTEMS IN REGION VI

The following resolution was adopted at the regional meeting held in Bismarck, N. Dak., October 27–28, 1958, by rural electric systems operating in the States of Minnesota, North Dakota, and South Dakota:

"REA REORGANIZATION"

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture, Ezra Taft Benson, pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office; and

"Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

"Resolved, That we are vigorously opposed to any reorganization of REA; and be it further

"Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RURAL ELECTRIC SYSTEMS IN REGION VII

The following resolution was adopted at the regional meeting held in Denver, Colo., November 10–11, 1958, by rural electric systems operating in the States of Colorado, Kansas, Nebraska, and Wyoming:

"REA REORGANIZATION"

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture, Ezra Taft Benson, pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office; and

"Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

"Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, as amended by the House subcommittee which would restore to the REA Administra-

tor all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RURAL ELECTRIC SYSTEMS IN REGION VIII

The following resolution was adopted at the regional meeting held in Oklahoma City, Okla., October 30-31, 1958, by rural electric systems operating in the States of Arkansas, Louisiana, Missouri, and Oklahoma:

"REA REORGANIZATION

"Whereas the original REA Act of 1936 provided for strictly nonpartisan administration of REA and provided for the appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

"Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

"Whereas in June 1957, the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and that all loans of whatever amount, to new borrowers, be reviewed by the Secretary's office; and

"Whereas Secretary Benson has supported a bill in Congress which would drastically increase interest rates and drive electric and telephone cooperatives to Wall Street for their financing: Now, therefore, be it

"Resolved, That as soon as the new Congress convenes in 1959 a bill identical or similar to the Humphrey-Price of 1958, as amended by the House subcommittee, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and passed."

RURAL ELECTRIC SYSTEMS IN REGION IX

The following resolution was adopted at the regional meeting held in Missoula, Mont., November 13-14, 1958, by the rural electric systems operating in the States of Alaska, California, Idaho, Montana, Nevada, Oregon, Utah, and Washington:

"In order to further the national objectives of the Rural Electrification Act and the laws relating to the comprehensive development of the Nation's energy resources, and in order to assure an adequate supply of low cost power for maximum development of rural America, we adopt the following legislative policies, and we urge our leaders and public officials to take prompt and continuing steps to bring these about:

"3. We urge Congress to reestablish the full authority of the REA Administrator to make loans."

RURAL ELECTRIC SYSTEMS IN REGION X

The following resolution was adopted at the regional meeting held in Brownsville, Tex., November 17-18, 1958, by rural electric systems operating in the States of Texas, Arizona, and New Mexico:

"REA REORGANIZATION

"Be it resolved, That as soon as the Congress convenes in 1959 a bill identical or similar to the Humphrey-Price bill of 1958, as amended by the House subcommittee, which would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, be introduced and its passage pressed."

RESOLUTION ADOPTED AT THE 17TH ANNUAL MEETING OF THE NATIONAL RURAL ELECTRIC CO-OP ASSOCIATION, WASHINGTON, D.C., FEBRUARY 9-12, 1959

REORGANIZATION OF REA

Whereas the original Rural Electrification Act of 1936 provided for strictly nonpartisan administration of REA and provided for the

appointment of an Administrator by the President, with confirmation by the Senate for a 10-year term to insure nonpartisan, nonpolitical administration; and

Whereas Secretary of Agriculture Ezra Taft Benson pledged himself to a congressional committee to make no changes in REA without first consulting the proper congressional committees and other interested groups; and

Whereas in June 1957 the Secretary did reorganize REA by requiring that all loans of \$500,000 or more, and all loans of whatever amount to new borrowers, be reviewed by the Secretary's office; and

Whereas the Humphrey-Price bill would restore to the REA Administrator all of the functions and authority vested in him by the original act of 1936, without divorcing REA from the Department of Agriculture: Now, therefore, be it

"Resolved, That we urge the Congress to pass the Humphrey-Price bill as early as possible in the 86th Congress.

ADDRESS BY SENATOR HUMPHREY BEFORE THE 16TH ANNUAL BANQUET OF THE FARMERS UNION GRAIN TERMINAL ASSOCIATION

Mr. HUMPHREY. Mr. President, I ask unanimous consent to have printed in the body of the RECORD a speech which I delivered in December of 1953 at the 16th annual banquet of the Farmers Union Grain Terminal Association in St. Paul.

Recently I had occasion to refer to this speech, and was interested to find that the truths stated at that time about American agriculture have even stronger impact today. The needs of the farm segment of our economy, as enunciated then, have increased in intensity today. The rights of American farmers in 1953 are the same rights in 1959. For these reasons, I find the remarks timely, so I ask to bring them to the attention of my colleagues.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

THE FARMER'S BILL OF RIGHTS

It is an honor to address this 16th annual banquet of the Farmers Union Grain Terminal Association—a great enterprise symbolic of the growth and progress of agriculture in the Midwest, and symbolic of what farm people can do working together.

It's a thrilling sight to look out over this vast gathering of farmers from throughout the great breadbasket of the Midwest.

This is America—the solid, determined, dependable America—the deep roots of democracy, embedded firmly in the soil.

America owes a tremendous debt of gratitude to its farmers of the past and of the present.

FOOD OUR BASIC QUEST

Every farmer in the Nation can be justly proud of the great contribution American agriculture has made, and is still making, to our country's growth and progress.

Agriculture is basic to life itself. It is the lifeline of food and fiber, without which we cannot survive.

Farmers were among our Nation's founders. They paved the way for creation of our great Nation of today, by producing in ever-increasing abundance the essentials of our survival—the food and fiber we needed for a growing and struggling Nation of free people.

The struggle for food comes before all else. By the ever-increasing efficiency of America's farmers, in providing food not only for themselves but for others about them as well,

they have made possible the release of manpower to create a mighty industrial as well as a rich agricultural empire in our new world.

THERE'S STRENGTH IN THE LAND

But agriculture has contributed more than food and fiber to our Nation. It has contributed much to our basic strength of moral character, our hardiness, our respect for family ties. It has contributed our American pattern of family farming, with its broad base of independent landholders as a firm foundation upon which democracy could survive and grow.

Is it any wonder, then, that I say America owes a great debt of gratitude to its farm people?

Farmers today, however, are seriously concerned about the future. They see strangely familiar symptoms of economic trouble. Farm prices have been falling too far and too fast. The parity ratio—the relation of what a farmer receives to what he must pay—has gone steadily downward. It has slumped to a national average of 90 percent, the lowest since 1941. It's even lower in many States, and for many important commodities.

FARMER IS THE KEYSTONE

Farmers aren't the only ones concerned about these danger signs. The President and Congress are concerned. The business community is growing increasingly concerned. Why? Because we have learned that agricultural income and national prosperity go hand in hand. We have learned that depressions start on the farm. We have learned that the economic problems of agriculture are not just farm problems, but everybody's problems.

Agriculture is still basic to America's economy. Without a sound, efficient, abundant, prosperous agriculture, America's dynamic economy cannot long maintain its expanding pace of higher living standards and greater comforts of life for all.

We have learned that lesson in the past—the hard way. We must never forget it.

There is a public interest responsibility toward agriculture that cannot be ignored.

Our Government early recognized the public's interest in the Nation's welfare in a strong agriculture, in a family-farm type of agriculture, by opening up vast public lands to homesteading in order to encourage agricultural expansion and farm ownership.

By making such opportunities available, the Nation was repaid many times the value of its investment in agriculture's future.

And, if you'll pardon an aside, I very much doubt if the moral fiber of our pioneering fathers was corrupted by accepting that homestead subsidy of free land.

HOW SKIDS WERE GREASED

As our Nation embarked upon its industrial development, it was business and industry—not agriculture—that first shunned the risks of the free market, and asked for aid and protection by law—the tariffs, the grants, and subsidies, the power of regulating production and competition to assure reasonable profits.

As a new aristocracy of industrial barons developed in our country, their influence upon government resulted in public policy being designed more and more to serve their own ends—at the expense of American agriculture, and the American workingman.

Our economy grew out of balance, and weaker became the foundation upon which it all was based.

The rich grew richer, and the poor grew poorer, until the bubble had to be burst.

I need not, I am sure, remind you at length of the great depression. Most of us remember all too well that tragic period in our economic and political history.

Agriculture, as usual, felt its impact first, longest, and hardest.

These, I believe, are basic rights of American agriculture.

They are not new rights. They are not rights of special privilege, gained through misuse or abuse of tremendous power over the lifelines of the Nation's food supply.

WE'VE EARNED THE RIGHT

Rather, they are rights of historic precedent, earned by the great and continuing contribution of agriculture to American life—the fulfillment of the Nation's needs in peace or war, in good times or bad, at personal profit or personal loss.

They are rights set forth as public policy, time after time, in the objectives of legislation enacted by the Congress of the United States.

They need reiterating now only as a guiding beacon of light, cast upon the darkness of confusion surrounding current controversy over America's farm policy.

They must be just as zealously guarded, against forces which seek to destroy them, as we guard other historic rights, privileges, and responsibilities of freedom in our democracy.

That, I believe, should be American agriculture's rallying point for unity today—and the Nation's challenge to fully exemplify the meaning of democracy as equal opportunity for all.

AMENDMENT OF REORGANIZATION PLAN NO. 2 OF 1953

The Senate resumed the consideration of the bill (S. 144) to amend Reorganization Plan No. 2 of 1953.

Mr. CURTIS. Mr. President, the Rural Electrification Administration was originally conceived to be operated as an independent agency. The original intent of the law was that the REA program should be operated by an independent agency of the Government. That law was changed somewhat by the Reorganization Act of 1939, and was again changed by the Reorganization Act of 1953.

Senate bill 144 is not a satisfactory solution to the problem now before us. The bill has been changed materially in the past few weeks.

Senate bill 144 provides that the program "shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture."

The bill makes an exception to that; and the exception is confined to the approval or disapproval of loans. The exception does not even include the general fiscal policy of the REA.

An amendment, offered by me and the distinguished senior Senator from Georgia [Mr. RUSSELL], would establish the REA as a completely independent agency, as it was originally conceived. That amendment to Senate bill 144 is being printed. It is now the pending question.

Mr. President, I could spend a great deal of time appraising the rural electrification program. It has been one of the finest programs ever developed for American farmers. It is something the American farmers are paying for. The REA cooperatives have had an excellent record of repayment. The program has brought a new day to the farms of America not only by the use of electric lights, but also by the use of electric-powered equipment of all kinds. The program is

successful. The repayment record is good. The present Administrator, Mr. David Hamil, is the finest REA Administrator the Government has ever had. He is doing an outstanding job. He has the confidence of the farmers of the Nation.

But notwithstanding the splendid record of Mr. Hamil, certain fears and apprehensions have arisen throughout the country because reorganization acts have vested in the Secretary of Agriculture all the power the Administrator of the REA had. The Committee on Government Operations held hearings on this matter. Representatives of local REA's and individual farmers appeared before the committee. I attended the hearings. As I recall, I took occasion to ask every witness who appeared whether the service he had been receiving from the REA was satisfactory. Every witness replied in the affirmative. I asked each witness whether his REA had made application for a loan which had been denied. Each of the witnesses replied that that was not the case.

Nevertheless, one could sense a fear of the power of the Secretary of Agriculture over the REA program. They did not like that power. They held to the opinion that there was a possibility that the program would take a turn other than to their liking.

I do not regard that as a condemnation of the present Secretary of Agriculture. Every Secretary of Agriculture encounters a certain amount of controversy. We have controversy and we have politics concerning an agricultural price-support program. We have controversy and we have politics concerning proposed legislation with reference to any crop, whether it be sugar, cotton, wheat, corn, or whatnot. If Senate bill 144 is passed and is enacted into law, the Secretary of Agriculture will still have the general direction and supervision of the REA program.

After the hearings were held last year, I went home and discussed this matter with a number of REA leaders. The opinion was unanimous that what ought to be done is to have the REA set up as an independent agency.

The proposal in which the distinguished Senator from Georgia [Mr. RUSSELL] has joined me, as an amendment of S. 144, does that very thing. The proposal is not a new departure. The REA Administrator would lend money to local REA's so that they could carry out their programs.

The Curtis-Russell amendment proposes to do in this case what was done in the case of the Farm Credit Administration. Public Law 202, 83d Congress, 1st session, created the Farm Credit Administration as an independent agency. The law took the agency out of the Department of Agriculture and established it on its own. It removed the Farm Credit Administration from all the controversy and politics that go with something that is as difficult to legislate for as is the entire field of agriculture. The Curtis-Russell amendment follows the same pattern. I am referring to Public Law 202 of the 83d Congress, 1st session, relating to the Farm Credit Administra-

tion. The first sentence of section 3 reads:

The Farm Credit Administration shall be an independent agency in the executive branch of the Government.

I ask unanimous consent to have printed in the RECORD as a part of my remarks at this point subparagraphs (b), (c), (d), and (e) of section 7 of that act.

There being no objection, the extracts were ordered to be printed in the RECORD, as follows:

(b) Employees in the Department of Agriculture who are being utilized on the effective date of this Act primarily for the performance of functions, powers, and duties heretofore or by this Act vested in the Farm Credit Administration, shall be transferred to the jurisdiction and control of the Farm Credit Administration in those instances in which the Governor determines that they are qualified and necessary to carry out the functions, powers, and duties of the Farm Credit Administration.

(c) All assets, funds, contracts, property, and records used and employed in the execution of the functions, powers, and duties heretofore or by this Act vested in the Farm Credit Administration are hereby transferred to the jurisdiction and control of the Farm Credit Administration.

(d) So much of the unexpended balances of appropriations, allocations, and other funds available or to be made available for salaries, expenses, and all other administrative expenditures as the Director of the Bureau of the Budget shall determine for use in the execution of the functions heretofore or by this Act vested in the Farm Credit Administration, shall be transferred to and vested in the Farm Credit Administration.

(e) All unexpended balances of appropriations, allocations, or other funds, other than those mentioned in subsection (d) of this section, available (including those available for the fiscal year ending June 30, 1953) for the Farm Credit Administration and/or for the Secretary of Agriculture on account of the functions and activities of Farm Credit Administration, shall be transferred to the Farm Credit Administration and shall remain available for the exercise of the functions and activities of the Farm Credit Administration.

Mr. CURTIS. Mr. President, if the Senate should pass S. 144 as reported by the Committee on Government Operations, it would certainly be legislating confusion, because the Senate would say, on the one hand, the Secretary of Agriculture shall have general supervision and direction of the program, and, on the other hand, the Senate would say, "except he shall not have any supervision or control of the approval or disapproval of loans."

If the Senate is to give any attention to the problems raised as set forth in the hearings, it should go all the way and vest authority in one place. If S. 144 as reported should pass, there would result a situation wherein the determination of general policy for REA would vest in the Secretary of Agriculture. Such authority would be broad in its scope. Legal policy, legal requirements, legal procedures, and like matters, would be subject to the authority of the Secretary of Agriculture.

If S. 114 as reported by the committee should pass, there would be vested in the Secretary of Agriculture the determination of policies to be adopted in refer-

ence to interest and recommendations for raising or lowering interest rates.

If the Curtis-Russell amendment or substitute shall be adopted, that authority will be vested in the REA Administrator. If the Curtis-Russell amendment shall be enacted, the authority over his own legal department will be in the hands of the Administrator. Whoever controls the legal department of an agency can determine the actions of the agency.

If S. 144 as reported by the committee shall be passed, all policies of the agency will be subject to the general supervision and control of the Secretary. Likewise, the Administrator's assistants, his help, all of his personnel, his budget, and everything that determines the program he will be able to carry on, will be subject to the general supervision and control of the Secretary of Agriculture.

It seems to me we are faced with a problem. We had a fine independent agency. Under the reorganization acts the agency was placed in the Department of Agriculture. If it is to be left in the Department, that is a decision the Congress should make. But certainly Congress should not leave the agency in the Department and have the authority so divided that the farmers of the country and the local REA's will find nothing but confusion in the fixing of responsibility for the conduct of the REA program.

If S. 144 as reported by the committee shall be passed, the borrowers will have to look to the Secretary of Agriculture for the ultimate determination of every decision and every policy relating to REA except as to the mere approval or disapproval of a loan. While the making of the loan is a very important act, the power of the agency would be narrowed to a single function.

I am thoroughly convinced that if the National REA Association were to carry back to its members and to the farmers of the country a request for a decision as to whether, if there is to be legislation, the REA should be constituted an independent agency or whether Congress should legislate confusion, as is proposed by S. 144 as reported by the committee, the farmers would be in favor of the establishment of an independent agency.

Mr. President, the Curtis-Russell amendment, as I have stated, follows the pattern of the Farm Credit Administration. It begins by stating that there shall be created and established in the executive branch of the Government an independent agency to be known as the Rural Electrification Administration.

It provides that Administrator Hamil shall continue as Administrator.

It calls for the appointment, at the end of Mr. Hamil's term, of an Administrator for a period of 10 years, at a salary of \$20,000 a year.

Its purpose is to give the REA the status it ought to have; namely that of an agency in its own right. Its purpose is to remove from confusion, from controversy, and from agricultural legislation politics, the fine program of the REA.

The amendment sponsored by me and by the distinguished Senator from Georgia [Mr. RUSSELL] provides for a transfer of the employees now working in the REA to the new agency, and for a transfer of the assets, appropriations and powers. It follows very closely the pattern established by Congress in Public Law 202 of the 83d Congress relating to the Farm Credit Administration, parts of which I have already had printed in the RECORD.

Some question has been raised as to whether, if the Curtis-Russell amendment should prevail, the same committees which now handle authorizations and appropriations for REA would continue to do so. We have added section 4 to make that matter abundantly clear.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point a copy of the Curtis-Russell amendment.

There being no objection, the amendment in the nature of a substitute offered by Mr. CURTIS for himself and Mr. RUSSELL was ordered to be printed in the RECORD, as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

"That there is hereby created and established in the executive branch of the Government an independent agency to be known as the 'Rural Electrification Administration' all of the powers of which shall be exercised by an Administrator who shall be appointed by the President by and with the advice and consent of the Senate for a term of ten years and who shall receive a salary of \$20,000 per annum. The Administrator shall have direction, supervision, and control of the Rural Electrification Administration and all of its operations and functions as authorized in the Rural Electrification Act of 1936, as amended.

"SEC. 2. The incumbent of the Office of Administrator of the Rural Electrification Administration appointed before the effective date of this Act shall serve the remainder of the term for which he was appointed. At the expiration of such term, or if the office shall become vacant at any time for any reason, the President shall designate an Acting Administrator to exercise and perform all functions, powers, and duties vested in the Rural Electrification Administration until the appointment and qualification of an Administrator, as provided in the first section of this Act.

"SEC. 3. (a) Employees in the Department of Agriculture who are being utilized on the effective date of this Act primarily for the performance of functions, powers, and duties provided for in the Rural Electrification Act of 1936, as amended, shall be transferred to the jurisdiction and control of the Rural Electrification Administration in those instances in which the Administrator determines that they are qualified and necessary to carry out the functions, powers, and duties of the Rural Electrification Administration.

"(b) All assets, funds, contracts, property, and records used and employed in the execution of the functions, powers, and duties authorized by the Rural Electrification Act of 1936, as amended, are hereby transferred to the jurisdiction and control of the Rural Electrification Administration.

"(c) All unexpended balances of appropriations, allocations, or other funds available (including those available for the fiscal year ending June 30, 1959) for the Rural Electrification Administration and for the Secretary of Agriculture on account of the functions and activities of the Rural Electrification Administration shall be trans-

ferred to the Rural Electrification Administration and shall remain available for the exercise of the functions and activities of the Rural Electrification Administration.

"SEC. 4. (a) Notwithstanding any other provision of this Act, or of any rule of the Senate or of any committee of the Senate, any proposed legislation or other matter (including appropriations), relating to the administration of the Rural Electrification Act of 1936, as amended, shall, after the date of enactment of this Act, be referred to the same committees and subcommittees of the Senate to which such proposed legislation or other matter would have been referred had this Act not been enacted.

"(b) This section is enacted—

"(1) as an exercise of the rulemaking power of the Senate and as such it shall be considered as part of the rules of the Senate, and shall supersede other rules of the Senate only to the extent that they are inconsistent therewith; and

"(2) with full recognition of the constitutional right of the Senate to change such rule at any time, in the same manner and to the same extent as in the case of any other rule of the Senate."

Amend the title so as to read: "A bill to establish the Rural Electrification Administration as an independent agency, and for other purposes."

Mr. CURTIS. Mr. President, a reading of the Curtis-Russell amendment will not leave confusion in the mind of anyone. Anyone who reads the amendment will know who is to have the authority in REA matters. He will know who will have authority to go before the Bureau of the Budget and to outline the program. He will know who is to have the authority to recommend to the Congress the interest policy—namely, the REA Administrator, David Hamil. He will know who is to have the authority to run the legal department of the REA—namely, the REA Administrator, David Hamil. He will know who is to have the authority to establish any policy with reference to the REA.

Mr. President, who knows where authority will rest under S. 144? The whole theory of the reorganization plans was to establish a chain of command and to give to the Secretary—in this case the Secretary of Agriculture—all the power the administrator of an agency may have.

The bill S. 144 is what we have to consider. In the bill it is stated that the activities of the agency shall be administered by the Administrator of the REA under the general direction and supervision of the Secretary of Agriculture, except that the mere approval or disapproval of loans is not to be subject to his control.

One can raise any question about the REA policy he desires to suggest, but there are still two officials having initial authority, with ultimate authority vested in the Secretary of Agriculture.

Again I say if the National Association of REA Cooperatives, now that this matter has been fully developed in the hearings of the Committee on Agriculture and Forestry and the Committee on Government Operations, will resubmit this issue to the American farmers and to the local REA's, there is no question in my mind that they will say, "Give this fine REA program the recognition it

should have. Give the program a status of its own. Make this an independent agency. Do not legislate confusion, with the dual responsibility and the serious questions that are left unanswered by S. 144."

Mr. President, the purpose of these remarks is to outline for those who read the CONGRESSIONAL RECORD the provisions of the amendment we expect to offer tomorrow. I do not know what version will prevail. I do not know whether there will be sufficient votes to adopt the amendment. I hope the amendment will be agreed to, and I am inclined to think it may be.

I am thoroughly satisfied that if any Senator takes the issue back home and submits the decision to the farm leaders in the various localities who run the REA's, those farm leaders will say, "Give us an independent agency with clear-cut authority under one Administrator, and grant recognition not only to a splendid program, the REA program, but grant recognition also to the most outstanding REA Administrator we have ever had, Mr. David Hamil."

I am likewise convinced that should S. 144 become law, as written, it will be most unsatisfactory to all these people.

Mr. President, I yield the floor.

Mr. LANGER. Mr. President, one of the most important issues of interest to the people of North Dakota, as well as other parts of the country, is the question of the REA interest rate. I have spoken on this subject many times, but today I should like to have printed in the RECORD a speech I made on the floor of the Senate on January 23, 1958. I ask unanimous consent that it be printed in the body of the RECORD.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

Mr. LANGER. Mr. President, this morning I introduced two bills dealing with REA. I ask unanimous consent that a statement prepared in connection with the bills may be printed in the body of the RECORD following the introduction of the bills.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

"I have asked for the floor because I want to speak up against the robbery of the American people. It is a robbery that has been going on for years, but I don't think we should let another day pass without doing something to stop it. I am referring to the practice of electric power companies in spending countless millions in propaganda advertising and political activities and then adding the costs of this propaganda to their cost of operation and making the consumer pay for it in his electric bill.

"ELECTRIC POWER A MONOPOLY INDUSTRY"

"As everyone knows, the electric power industry is a monopoly industry. The man that wants electricity must buy it from the company that services his community and he must pay the rates which they charge. The consumer has absolutely no choice in the matter. Because of this monopoly position enjoyed by the electric power companies the law provides that they are allowed to charge only such rates that will enable them to cover their costs of operation and their costs of obtaining the money that they need for that operation. Obviously, money spent to attack some public development or to

propagandize the consumer along certain political and economic lines, is not a cost of the operation of an electric power company.

"The electric consumer wants, and is entitled to receive, the best possible electric service at the lowest possible cost. The electric consumer should not have to pay the cost of expensive advertisements, in slick national magazines, attacking TVA, or a Federal Hells Canyon project, or the rural electric cooperatives of the country. Expenditures of that kind do not contribute to any better or cheaper service for the consumer—on the contrary, all that they do is to increase his electric bill.

"Can you imagine what the electric consumer would say if his electric-light bill showed that 5 or 10 percent of it—or any amount of it, no matter what the percentage—was being charged him because his electric-power company wanted to feed him propaganda against rural electric cooperatives? Or because they wanted to lobby against Hells Canyon? Can you imagine what would happen if your electric bill read: '\$10 for electricity, \$1 to finance propaganda by the company to make you think TVA is socialistic.' I don't have to tell you that overnight there would be such a howl of protest that either the electric-power companies would stop that practice immediately or something would be done to make them stop it. The only reason that the electric consumers all over the country are not raising their voices in protest—the only reason they are not knocking at our doors and filling our offices—is that they don't know what is going on. They are being taken and taken badly, but they don't know it.

"But you and I know it, and the public utility commissions of the country know it. What possible excuse do we have for allowing this robbery to continue? I tell you that I am going to speak up against it at every possible opportunity and I am not going to let up in this fight until this outrageous practice is stopped.

"MISLEADING ADVERTISING"

"Now, back in the 1920's the National Electric Light Association tried to control public opinion through its propaganda advertising and political activities. And of course, at the same time they were charging the costs of this public opinion control to the electric consumer himself in his electric bill. These practices became so outrageous that they were investigated and exposed by the Federal Trade Commission, and for a while conditions improved. Some of the more naive thought perhaps the practice had been licked and that the electric power companies would not again try to brainwash their customers at their customers' expense, but apparently it takes a lot more than that to keep the electric power companies in line. Actually, for the last 15 years these old practices and abuses have been renewed and once again the electric consumer has had to foot the bill for his misinformation. The electric power companies of the country have spent and are spending millions of dollars of their customers' money in this attempt to mislead and control the thinking of their customers. They have tried and are trying to brainwash them at their own expense.

"There are four major organizations through which the electric power companies are carrying on this brainwashing campaign. There is the Edison Electric Institute, which prepares the statistical ammunition and cooperates with educational institutions in the preparation of literature. Then there is the electric companies' advertising program, which hands out advertising to magazines and newspapers, sponsors weekly radio and television programs, and provides its member companies with the material for them to use locally. Then there is the electric companies' public information program,

which provides material for use in speeches, and by the local press and employee publications. Finally, there is the National Association of Electric Companies, which carries on the lobbying activities in Washington.

"Between the years 1941 and 1952, the electric companies' advertising program alone spent more than \$5 million for mass circulation news ads and almost \$7½ million for national radio and television hookups. Their advertisements appeared regularly in the Saturday Evening Post, Life, Farm Journal, Country Gentleman, and the Progressive Farmer. They have sponsored such national programs as Nelson Eddy, the Hour of Charm, Helen Hayes, and Meet Corliss Archer.

"This is just a small sample of what the electric power companies spend for propaganda purposes. I can go on and on listing their expenditures, but you know them as well as I do. You know that the amount is huge, the purpose improper and the practice inexcusable.

"WHAT IS THIS PROPAGANDA?"

"And what is this propaganda that the electric consumer is being compelled to finance without his consent? There is the propaganda that tries to convince the American people that any activity of cooperatives or any Government agency in the electric power field is socialism. I have here a copy of an advertisement which has on it a map of the United States covered by dots, supposedly representing existing and proposed Federal power and cooperative installations—and in bold print under the map is the question, 'A Socialistic United States of America?'

"This is the most outrageous type of misrepresentation imaginable. The cooperatives are the finest example of private enterprise that we have. They are not Government owned. They are owned by the same farmers that they serve. Coupling the cooperatives with Government installations is completely dishonest—and the power companies know it. Yet they tax their customers in order to feed back to them this lying hogwash. The good farmers who own and operate these rural electric cooperatives bitterly resent this shameful, lying attack on their patriotism. And I for one intend to do something about it.

"This whole advertisement is, of course, hogwash. There is no element of socialism even in the Government's power program. The Government is not in the retail electric business and the electric power companies are not in a free-enterprise business. Socialism to me and to the American people means interference by the Government in the free-enterprise system. It does not mean the activities of the Government in the electric power field, any more than it is socialism for a local government to supply its citizens with sewage facilities or with water. The electric power companies know this just the same as you and I, but they don't care what they say if they can turn the public against Government and cooperative power activities—especially when they can make their customers pay for it.

"TAXPAYING ELECTRIC INDUSTRY?"

"And look at all the ads by the electric power companies trying to establish themselves as the 'taxpaying electric industry.' They don't pay the taxes and they know it. The taxes are included in their operating expenses and all they do is collect it from their customers and turn it over to the Government. They don't pay the taxes—their customers pay them.

"And look at all the other misleading propaganda they publish about the rural electric cooperatives. They talk about the profits that the cooperatives are making. What profits? How can a cooperative make profits? How can anyone make profits out

of dealing with himself? The cooperatives were organized by their members in order to serve themselves. They serve themselves at cost. Anything that is left over at the end of the year belongs to the same farmers who furnished the money. The power companies know this. They know that cooperatives do not make profits. They know that cooperatives are nonprofit organizations. And yet they keep repeating this same lie over and over again.

"Now what possible sense does it make—what possible right do the electric power companies have to spend millions in this type of propaganda advertising and then turn around and charge the electric consumer the cost for having his brain washed? There is no right—neither legal nor moral—and yet this has been going on for years. I ask you—what are we going to do about it?

"SALUTE TO PUBLIC SERVICE COMMISSION

"Fortunately, some of the State public service commissions are beginning to wake up to their responsibilities and are refusing to permit the power companies to include these propaganda expenditures as part of their operating expenses. I salute the public service commission of Wisconsin for recently ruling that electric power companies cannot charge their customers for the cost of political advertising attacking rural electric cooperatives. But there is not enough of this type of ruling. We need more vigilance and concerted action by all of the State regulatory bodies to make sure that not 1 cent of this brainwashing fund is charged to the electric consumer. And we in the Congress can do something about it also. We can pass laws to make sure that the Federal Power Commission does not allow these propaganda expenses to be charged as operating expense in any case before the Federal Power Commission. And we can also pass laws to make sure that these expenditures cannot be relied upon by the power companies to reduce their income taxes.

"USEFUL ADVERTISING

"There are, of course, types of advertising which are definitely part of the operations of an electric power company. Advertisements which help increase the use of electricity, or which tell the consumers of new electric appliances, or which help educate the consumers on the proper use of electricity—all these are legitimate purposes. And the costs of advertisements relating to these purposes are a legitimate expense of operation. Advertising going beyond this, however, is not an expense of operation and must not be charged to the consumer.

"Now, I want to make it perfectly clear that I don't care how much these electric power companies spend on their propaganda and I don't care what they say in their propaganda. Of course, like every American, I would like to see the day come when they told the truth for a change. But even if they want to keep on telling their lies, let them do it. Let them say whatever they want to about BILL LANGER, and TVA, and Bonneville, and Hells Canyon, and the rural electric cooperatives, provided they pay for it out of their stockholders' money and not charge it to the electric consumer in his electric bill. That is my point. Let them talk, let them advertise, let them do anything they want to do, but let them pay for it out of their own money.

"I tell you it is a disgrace and crying shame that this has been allowed to go on as long as it has. Those of us in every branch of every government that have allowed this to go on should hang our heads in shame. We have stood by and watched the electric consumer get robbed of millions of dollars and we have not done anything to stop it. I say that the time has come when we must do something to stop it and I hope that in this session of Congress we can get through

some bills which will stop it at least insofar as the Federal Government can stop it. And by the illustration we give by our action, I hope that the State legislatures and the State commissions will stop this robbery at the State level.

"TWO PERCENT INTEREST RATE HIGH ENOUGH

"Now, there is another thing I want to talk about and that is the current drive that is on to double or possibly triple the REA interest rates. The Director of the Bureau of the Budget sent a proposed bill up to the Congress last June which would raise the REA interest rate from its present level of 2 percent to at least 4½ percent and it might possibly go higher than that. Now, the Government entered into an agreement with the rural electric systems that the interest rate would be 2 percent provided the systems extended service on an areawide basis to all of the people in rural areas who wanted and needed electric service.

"The REA cooperatives have carried out their part of the agreement as is evidenced by the fact that more than 95 percent of the farmers have electric service today.

"At the very same time that the administration sent this bill to the Congress it was negotiating a loan to the British Government for \$3,750 million at 2 percent, with permission for the British to waive up to 7 annual payments of interest and principal if payment threatened to work a hardship on them, and they have exercised their right to waive payment. It is all right to lend the British money at 2 percent and waive annual interest and principal payments, but when it comes to our own rural electric systems, which are serving thinly populated rural areas, then this is all wrong.

"I am bitterly opposed to any change in the REA interest rate and will fight it as long as I am in the Senate.

"I want to give you three or four reasons why the REA interest rate should not be increased:

"1. The rural electric cooperatives have a most enviable repayment record. No other agency of the Federal Government in the lending business can claim as good a repayment record. As of June 30, 1957, the rural electric borrowers had paid back \$425.8 million in principal and \$281.5 million in interest. Furthermore, as of that date, only \$200,602 in principal and interest was overdue more than 30 days.

"2. Throughout the life of the rural electrification program the Federal Government has made—not lost—money. This fact comes straight from the Comptroller General of the United States who reports in the REA audit for fiscal year 1956 that the REA has a net margin of interest income over interest expense of \$54,177,262.

"3. As long as the Government continues to subsidize the private power companies under sections 167 and 168 of the income-tax laws there can be no justification for an increase in the REA interest rate except for purpose of destroying the program.

"I mentioned earlier the British loan and I will not repeat here anything further on it.

"This attempt to raise REA interest rates is nothing more nor less than an attempt by the commercial power companies to destroy the REA systems; and if we are not on our guard here in the Congress, it will be done."

REVITALIZATION AND STABILIZATION OF THE NATION'S COAL INDUSTRY

Mr. BYRD of West Virginia. Mr. President, it is evident that the ultimate hope for the revitalization and stabilization of our Nation's coal industry must lie in the direction of securing new and

varied markets for coal. And the only possible way to discover and utilize these new uses for coal is through coal research.

To illustrate the enormous potential for coal which might be developed through research, I ask unanimous consent to have printed in the CONGRESSIONAL RECORD an editorial which was published last month in the Williamson (W. Va.) Daily News. This editorial points out that coal has the potential for the production of literally thousands of various products—from phonograph records to aspirin, to explosives, to perfume, to medicine, to cosmetics, and one could continue ad infinitum—if the methods for making these products are but developed.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

COAL OFFERS GREAT POTENTIAL

The prosaic lump of coal is a veritable treasure chest yielding a seemingly endless variety of products.

The Germans even made ersatz butter from coal during World War II, and a scientist predicted recently that synthetic food will become a major byproduct of coal.

Other products now derived in whole or part from coal include aspirin, phonograph records, laughing gas, the flavoring in most vanilla ice cream, perfume, embalming fluid, laxatives, synthetic vitamins, dyes, TNT, moth balls, indelible pencils, clay pigeons, paint, synthetic rubber, saccharin, and fingernail polish.

This is just a sampling. There are believed to be more than 200,000 chemical byproducts of bituminous coal, the National Geographic Society says. Relatively few, however, are marketed commercially.

The multitude of substances are part of the rich yield from coking ovens, which release the "buried sunshine" in coal. When coal is heated to high temperatures in the absence of air, the solid residue is carbon-rich coke, essential in producing steel.

The gases produced in the coking process are equally important. In recent years special plants have been built to distill and process chemicals from the gases. Coke is simply the byproduct.

One of the most versatile of the some 350 compounds derived from the coking process is coal tar. A young English chemist, W. H. Perkin, made a synthetic mauve dye from coal tar in 1856, giving England its "mauve decade" and opening the way for a vast synthetic chemical industry.

Coal tar, a sticky, foul-smelling substance, can be treated to produce many products, including the delicate perfume scents of new-mown hay and orange blossoms. Almost 25 tons of violets once were required to make a single ounce of natural oil—a process now duplicated easily in the laboratory.

Coal tar also is used to make DDT, sulfa drugs, photographic developers, weed killers, refrigerants, road paving, detergents, carbon electrodes and antiseptics.

Other gases drawn off and treated after coking produce an array of substances, including plastics like nylon and the flexible resin polyethylene. When drained of much of their chemical wealth, the gases can be burned as fuel.

Although chemicals are important, coal is mainly used for fuel in the United States. Slightly more than half of all electric power in the United States is generated from that source. The steel industry is the next largest consumer.

It is the decline in the demand of coal as a fuel which is bringing about the current depressed conditions in the coal mining industry. Railroads and steamships, which

Calendar No. 131

86TH CONGRESS
1ST SESSION

S. 144

IN THE SENATE OF THE UNITED STATES

APRIL 7, 1959

Ordered to be printed

AMENDMENTS

(IN THE NATURE OF A SUBSTITUTE)

Proposed by Mr. CURTIS (for himself and Mr. RUSSELL) to the bill (S. 144) to amend Reorganization Plan Numbered 2 of 1953, viz: In lieu of the language proposed to be inserted by the committee, insert the following:

1 That there is hereby created and established in the
2 executive branch of the Government an independent agency
3 to be known as the "Rural Electrification Administration"
4 all of the powers of which shall be exercised by an
5 Administrator who shall be appointed by the President by
6 and with the advice and consent of the Senate for a term of
7 ten years and who shall receive a salary of \$20,000 per
8 annum. The Administrator shall have direction, supervision,
9 and control of the Rural Electrification Administration and

1 all of its operations and functions as authorized in the Rural
2 Electrification Act of 1936, as amended.

3 SEC. 2. The incumbent of the Office of Administrator of
4 the Rural Electrification Administration appointed before
5 the effective date of this Act shall serve the remainder of
6 the term for which he was appointed. At the expiration of
7 such term, or if the office shall become vacant at any time
8 for any reason, the President shall designate an Acting
9 Administrator to exercise and perform all functions, powers,
10 and duties vested in the Rural Electrification Administra-
11 tion until the appointment and qualification of an Adminis-
12 trator, as provided in the first section of this Act.

13 SEC. 3. (a) Employees in the Department of Agricul-
14 ture who are being utilized on the effective date of this Act
15 primarily for the performance of functions, powers, and
16 duties provided for in the Rural Electrification Act of 1936,
17 as amended, shall be transferred to the jurisdiction and con-
18 trol of the Rural Electrification Administration in those in-
19 stances in which the Administrator determines that they are
20 qualified and necessary to carry out the functions, powers,
21 and duties of the Rural Electrification Administration.

22 (b) All assets, funds, contracts, property, and records
23 used and employed in the execution of the functions, powers,

1 and duties authorized by the Rural Electrification Act of
2 1936, as amended, are hereby transferred to the jurisdic-
3 tion and control of the Rural Electrification Administration.

4 (c) All unexpended balances of appropriations, alloca-
5 tions, or other funds available (including those available for
6 the fiscal year ending June 30, 1959) for the Rural Electri-
7 fication Administration and for the Secretary of Agriculture
8 on account of the functions and activities of the Rural Elec-
9 trification Administration shall be transferred to the Rural
10 Electrification Administration and shall remain available for
11 the exercise of the functions and activities of the Rural
12 Electrification Administration.

13 SEC. 4. (a) Notwithstanding any other provision of
14 this Act, or of any rule of the Senate or of any committee of
15 the Senate, any proposed legislation or other matter (includ-
16 ing appropriations), relating to the administration of the
17 Rural Electrification Act of 1936, as amended, shall, after
18 the date of enactment of this Act, be referred to the same
19 committees and subcommittees of the Senate to which such
20 proposed legislation or other matter would have been referred
21 had this Act not been enacted.

22 (b) This section is enacted—

23 (1) as an exercise of the rulemaking power of the

1 Senate and as such it shall be considered as part of the
2 rules of the Senate, and shall supersede other rules of
3 the Senate only to the extent that they are inconsistent
4 therewith; and

5 (2) with full recognition of the constitutional right
6 of the Senate to change such rule at any time, in
7 the same manner and to the same extent as in the case
8 of any other rule of the Senate.

Amend the title so as to read: "A bill to establish the
Rural Electrification Administration as an independent
agency, and for other purposes."

86TH CONGRESS
1ST SESSION

S. 144

AMENDMENTS

(IN THE NATURE OF A SUBSTITUTE)

Proposed by Mr. CURTIS (for himself and Mr. Russell) to the bill (S. 144) to amend Re-organization Plan Numbered 2 of 1953.

APRIL 7, 1959

Ordered to be printed

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued April 9, 1959
For actions of April 8, 1959
86th-1st, No. 52

djournalment.....10,38		
centennial celebration..15		
cooperatives.....8		
credit unions.....31,33		
crop insurance.....11		
debt management.....17		
electrification.....1		
farm program.....3,19,30		
federal aid.....22		
series.....26		
flood control.....13		
foreign affairs.....3		
foreign aid.....35		
forestry.....4,23		
health.....25		
information.....37		
interest rates.....8		
international		
organizations.....7		
Lands.....24		
Legislative program.....9		
Library materials.....12		
National flower.....16		
Patents.....34		
Personnel.....5,25		
Postage rates.....12		
Postal service.....12,36		
REA loans.....1,8		
Reclamation.....2,32		
Small business.....29		
Surplus commodities.....20		
Unemployment.....14,28		
Unemployment		
compensation.....6		
Warehouse receipts.....27		
Water resources.....18		
Weather.....21		

HIGHLIGHTS: Senate passed bill to give REA Administrator authority over all loans. House passed bill to provide flexibility in making crop insurance available to counties. House passed over bill to provide for centennial celebration of establishment of USDA and land-grant colleges. Sen. McClellan introduced and discussed bill to restore to States jurisdiction over certain land used for Federal purposes. Sen. Hruska and 9 other Senators introduced and Sen. Hruska discussed bill to provide for disposal of surplus land in family-type farm units.

SENATE

- 1. ELECTRIFICATION.** Passed, 60 to 27, as reported, S. 144, to provide that the REA Administrator shall not be subject to the control of the Secretary in the approval or disapproval of loans (see Digests 49 and 50 for complete summary of bill). pp. 4931, 4946-59
Rejected, 74 to 13, an amendment by Sens. Curtis and Russell which would have established REA as an independent agency. pp. 4947-9, 4958
Rejected a motion by Sen. Capehart to recommit the bill to the Government Operations Committee. p. 4958
- 2. RECLAMATION.** The Interior and Insular Affairs Committee reported the following bills: p. 4914

S. 72, without amendment, to authorize Interior to construct and maintain the Navajo Indian irrigation project and the initial stage of the San Juan-Chama project as participating projects of the Colorado River storage project (S. Rept. 155).

S. 44, with amendment, to authorize Interior to construct the San Luis unit of the Central Valley project, Calif., and to enter into an agreement with Calif. with respect to the construction and operation of the unit (S. Rept. 154).

3. FARM PROGRAM. Sen. Langer inserted his statement on "the lack of a farm bill," stating that "the Senate is predominantly Democratic, 2 to 1, and they must assume the full blame for the lack of the passage of a good farm bill." pp. 4959-60

Sen. Javits discussed his report to the people of New York in which he reviewed the farm situation, foreign affairs, and other matters. pp. 4940-6

4. FORESTRY. Sen. Morse expressed his regret over the death of Robert Aufderheide supervisor of the Williamette National Forest, and inserted an article commending his service to forestry. p. 4959

5. PERSONNEL. Sens. Dirksen, Lausche, and others debated the merits of proposed legislation to require the public disclosure of the names and salaries of congressional employees, and the income and sources of income of public officials earning more than \$10,000 annually. pp. 4933-7

6. UNEMPLOYMENT COMPENSATION. Sen. Kennedy urged the enactment of legislation to increase the coverage and establish nationwide minimum standards for the payment of unemployment compensation benefits. p. 4965

7. INTERNATIONAL ORGANIZATIONS. Both Houses received a State Department report on the extent and disposition of U. S. contributions to international organizations for the fiscal year 1958. pp. 4914, 4999

8. COOPERATIVES. Received Minn. Valley Cooperative Light & Power Assoc. resolutions opposing the enactment of legislation "which would place prohibitive taxes on cooperatives," and which would change the interest rates on REA loans. p. 4914

9. LEGISLATIVE PROGRAM. Sen. Johnson announced that the calendar will be called Fri., Apr. 10. pp. 4913-4

10. ADJOURNED until Fri., Apr. 10. p. 4965

HOUSE

11. CROP INSURANCE. Passed as reported H. R. 306, to permit the Crop Insurance Board to determine when there is sufficient demand for crop insurance in a county to warrant the program being established there. p. 4970

12. LIBRARY MATERIALS. Passed as reported H. R. 4595, relative to clarification of law providing special postage rates for educational, cultural, and library materials. p. 4975

13. FLOOD CONTROL. Rep. Dulski stated that he opposed the proposed construction of the Kinzua Dam in the Allegheny Reservoir, contending that it is probably not a flood control project and that it infringes on the rights of the Seneca Indians. pp. 4979-80

There being no objection, the excerpt and the article were ordered to be printed in the RECORD, as follows:

[From the Washington Post]

THE WASHINGTON MERRY-Go-ROUND

(By Drew Pearson)

INSIDE LOBBYING

Behind President Eisenhower's firm refusal to liberalize the unemployment aid program has been the quiet lobbying of big business representative Stanley Rector, who operates very adroitly through the back door of the White House.

His inside contact man is none other than the President's chief counsel, Gerald Morgan, whose former law firm helped Rector fight Federal unemployment insurance. Now Morgan is carrying on the same fight from the vantage point of the President's elbow.

Rector works out of a three-room suite in the Washington Hotel, just around the block from the White House. Last year he spent over \$100,000 lobbying against jobless benefits.

His board of directors includes executives from United States Steel, General Motors, Chrysler, Goodyear Tire & Rubber, Socony Mobil Oil, and Allis-Chalmers Manufacturing Co. Over 500 companies contribute from \$200 to \$2,500 apiece to Rector's operation.

In 1947, Rector hired Morgan's law firm, Morgan & Calhoun, as registered lobbyists. After Morgan entered the White House, he served as adviser to the President on unemployment compensation. As recently as last month, Morgan helped persuade Ike to reject liberal recommendations from Secretary of Labor Mitchell.

What Mitchell wanted to do was extend temporary benefits for jobless workers and overhaul unemployment insurance standards. In the showdown, the President sided with Morgan.

LOBBY LANGUAGE

Earlier, lobbyist Rector argued against these proposals in a letter, dated March 9, to his backers. He contended that any reforms should be left up to the States.

Three days later, President Eisenhower used the same, identical argument at a press conference.

Rector made one interesting concession: "In view of the fast developing showdown fight on Federal benefit standards, a 3 to 6 months extension might well, in the end, prove helpful."

Ike also agreed to this same concession.

"I haven't got such a rigid position about this that I wouldn't listen to something," he told the press. At the same time, he notified Republican congressional leaders that he would accept a 3- to 6-month extension.

It had all the earmarks of a triple play—Rector to Morgan to Eisenhower.

NOTE.—The President repeated his views to eight Governors who belong to the Governors' Executive Committee. The only missing member was New Jersey's Gov. Robert Meyner, who happened to be in the South Pacific on temporary naval duty and who also happens to favor strong Federal unemployment benefits. Meyner asked the White House to fly him to the conference, pointing out that the President as Commander in Chief could relieve him from his naval assignment. Ike flatly refused.

[From the Washington Daily News]

WHAT MITCHELL COULD SAY

(By John Herling)

Tomorrow James P. Mitchell, the troubled Secretary of Labor, stands up to the toughest test of his career. He faces 5,000 delegates to the unemployment conference of the AFL-CIO in the National Guard Armory. Its leadership knows that his private position on unemployment insurance differs sharply from the official position now saddled on him. What will be running through Mr. Mitchell's

mind as he looks into the whites of 10,000 union eyes?

Mr. Mitchell's public personality has now been axed down the middle by President Eisenhower. Ike has repeatedly chosen to disregard his Labor Secretary's advice and adopt that of his bitter opponents, whom Mr. Mitchell himself calls reactionary.

"For 5 years now," Mr. Mitchell could tell the assembled delegates, "I have been among those urging the States to raise unemployment benefits and lengthen the payment period. The State legislatures paid not the payment, and duration."

Mr. Mitchell might recall: "I told the President this latest recession was the payoff. We had every reason—as a Federal Government—to tell Congress that the law should now be amended by requiring the States to conform to higher standards of benefits, payment and duration."

"It seems to me the Federal responsibility is clear. The President is worried about balancing the budget. But I had important news for him. The higher unemployment insurance standards which we and he thought desirable could be put into effect without its costing the Federal Treasury a cent. There are \$7 billion in State unemployment reserve funds which could be used for meeting these higher standards. I told Budget Director Maurice Stans about this. He was jubilant."

"What's more, Stans sees at once that instead of spending nearly \$500 million more of Federal money on emergency unemployment compensation, we could save that by bringing permanent Federal standards into action."

This is the way Mr. Mitchell's thinking goes.

"Stans and I prepared a memorandum along these lines. We worked up support in the Cabinet: Health, Education, and Welfare Secretary Arthur Flemming is for this. The ball was rolling. We knew we had to work fast. But somebody in the White House was quicker."

"It was none other than Ike's special counsel, a nimble fellow named Gerald Morgan. Gerry, a chief architect of the Hartley or tougher part of the Taft-Hartley Act, is a close friend and law partner of Leonard Calhoun, hard shell who has fought every step of the way against liberalizing social security. He, Morgan, and a man named Stanley Rector make up a trinity of reaction. Chief prong, Rector, heads up an outfit supported by most big business groups, masterminds their strategy against improvements in unemployment insurance, State or Federal."

Mr. Mitchell could then tell the audience: "To shorten a painful story, Gerry Morgan told Stans and me, supposedly the labor policy man in the administration, to lay off. He said the President was in his corner, not mine."

"Well, the next thing I knew was what I heard from Ike's news conference. A reporter asked the President what the administration's policy was on unemployment insurance. Ike replied, as Morgan predicted, that the policy remains the States' responsibility. No use arguing. It was clear to me that the voice was the voice of Ike, but the words were those of Morgan, Calhoun, and Rector."

All this keep tumbling through Mr. Mitchell's mind. But tomorrow, when AFL-CIO President George Meany announces, "We will now hear from our friend, Jim Mitchell," the Labor Secretary will shake off his moment of truth, pick up his official speech, and begin to read it through his glasses darkly.

AMENDMENT OF REORGANIZATION PLAN NO. 2 OF 1953

The Senate resumed the consideration of the bill (S. 144) to amend Reorganization Plan No. 2 of 1953.

The PRESIDING OFFICER. The question is on agreeing to the amendment proposed by the Senator from Nebraska [Mr. CURTIS], on behalf of himself and the Senator from Georgia [Mr. RUSSELL], as a substitute for the language proposed to be inserted by the committee.

Mr. DIRKSEN. Mr. President, is the pending question on agreeing to the Curtis substitute?

The PRESIDING OFFICER. It is.

IMPORTANCE OF THE WORLD CONGRESS OF FLIGHT

Mr. YOUNG of Ohio. Mr. President, at this time I wish to refer to the World Congress of Flight. I feel that it promises to be not only the first international exposition of its kind in America, but also the most comprehensive aero-space program ever presented in the United States.

Mr. President, the World Congress of Flight is to be held from April 12 through 19 in Las Vegas, Nev. I am certain my colleagues are aware that a World Congress of Flight is about to be held, since items about it have appeared in the press. As a member of the Senate Aeronautical and Space Sciences Committee, I have studied the details of the program of the World Congress of Flight. Some Senators may not have had an opportunity to examine this forthcoming program; hence, I should like to report that the plan is to present the latest information on aircraft, missiles, and space craft through 11 major conferences, 3 major aero demonstrations, and the largest static display of related equipment which has ever been assembled in one area.

Symposiums and conferences which have been planned for the World Congress of Flight will explore flight in terms of international security and human welfare. The social, economic, political, and moral problems which accompany the progress of flight will be analyzed. Flight in its broadest concept as an instrument for all mankind will be presented and scrutinized. The project, in short, Mr. President, is dedicated to the belief that greater world knowledge of aircraft, missiles, and space craft will help bring the world closer to permanent peace.

Representatives from more than 50 nations will participate in this magnificent venture, which is sponsored by the Air Force Association, in cooperation with a number of other well-known, non-profit private organizations.

The World Congress of Flight will bring together ambassadors and air attachés of the NATO and SEATO nations, educators from more than 30 countries, State superintendents of schools from more than 40 States, flight safety specialists from some 20 countries, and executives from more than 1,000 American companies. Engineers and technicians will come to the World Congress of Flight from more than 50 countries. Executives and chief pilots will represent the world's airlines. Directors of aviation will come to the World Congress on Flight from 35 States. The roster of scientists who will be present includes several hundred distinguished names.

Test pilots and private pilots from a host of nations will be present.

Time does not permit me to dwell in great detail on the specifics of the World Congress of Flight; but I should like to call attention to the Jet Age Conference, which will be attended by such outstanding persons in the field of aviation as Gen. Curtis E. LeMay, Vice Chief of Staff of the U.S. Air Force; Sir William P. Hildred, director-general, International Air Transportation Association; the Honorable E. R. Quesada, Administrator, Federal Aviation Agency; and the Honorable Walter Binaghi, president of the council, International Civil Aviation Organization.

Another of the conferences which will be held at the World Congress of Flight will be the Missile Management Conference. Here, industry in an accelerating technology will be examined by a galaxy of experts and technicians, including Peter J. Schenk, president of the Air Force Association; Dr. Edward Doll, vice president and associate director, Systems Engineering Division, Space Technology Laboratories; and David R. Hull, president, Electronic Industries Association, to name only a few.

As an American, Mr. President, I believe in the urgency of having men of the free world sharpen their appreciation and understanding of the space age, which is moving upon us with great speed. I feel that Mr. Edward P. Curtis, general chairman of the World Congress of Flight, should be congratulated for his part in arranging this outstanding program which promises to enhance appreciation and understanding of the space age by men of the free world. For my part, I look forward to being present at the World Congress of Flight. The scope of aerospace topics which will come under discussion at its sessions, the diversity of related equipment to be demonstrated and displayed, and the caliber of scientific, educational, and military representatives who will participate can only produce a number of the most constructive results. For one thing, these features of the program will highlight many of the opportunities and problems which are associated with the present and with the future course of aerospace progress. In addition, they will bring to bear on these subjects the tremendous fund of knowledge, skill, and experience of experts in the technological, the educational, and the military areas of air-space operations. Certainly many of the answers which will come from these deliberations will help chart the future course of our own national aerospace endeavors.

Looked at from another standpoint, I feel that the World Congress of Flight will also yield a valuable dividend by focusing free world attention on the benefits in terms of economic stimuli, closer relationships through travel, and mutual-defense enterprises which can be realized through cooperative international action. Where my own particular interest and responsibilities are concerned, the World Congress of Flight will provide assistance of tremendous value, since there are now under consideration literally dozens of legislative

proposals on which the question of aerospace progress has an important bearing. As you know, Mr. President, these proposals cover such vitally important items as national security, civil aviation, and technical education.

Mr. President, I am aware that a number of my distinguished associates are striving to adjust their busy schedules so as to be able to attend and participate in the unique World Congress of Flight, where they will have the opportunity to meet the leaders of aviation, to confer on subjects of the greatest magnitude, and to see demonstrations of equipment which will play an increasingly important role in the future of the world. The knowledge to be gained by us from the World Congress of Flight can be invaluable as a basis for our subsequent evaluations and analyses of technical publications and committee reports. This, Mr. President, is truly a unique opportunity to follow the progress and work of a great free world enterprise.

Mr. CANNON. Mr. President, I thank the distinguished Senator from Ohio [Mr. Young] for his impressive account of the forthcoming World Congress of Flight. It is a great honor for me to remind the Senate that the World Congress of Flight is being held in the State which I have the honor in part to represent—Nevada. We are extremely proud of the vast auditorium, the exhibition hall, the splendid facilities which will house the conferences, the meetings, and the exhibits at the World Congress of Flight scheduled to be held in Las Vegas, Nev., from April 12 to 19. The facilities at Las Vegas will seat more than 7,500 in the great circular auditorium. Space is provided for 22 additional meetings, each seating from 25 to 1,000, and there is in excess of 100,000 square feet of exhibit space. Adjacent to the vast auditorium and exhibit hall are some 2 million square feet of outdoor exhibit area, as well as a stadium before which aviation aircraft and helicopters can be demonstrated.

Ample facilities are available to house the participants and the visitors to the World Congress of Flight.

My distinguished colleague from Ohio has provided Senators with an overall picture of the World Congress of Flight. I should like to mention some specific facets of the program. For example, speakers from Western Europe, from Japan, and Basil will make presentations on international research for the Air Force at a symposium being sponsored by the Air Research and Development Command of the U.S. Air Force during the World Congress of Flight. At this ARDC symposium, 1 of the 11 major conferences in the basic research necessary to military aeronautics and astronautics will be examined.

Another conference which is certain to attract worldwide attention is one scheduled on the space age. Here such men as Col. John P. Stapp, USAF, president, American Rocket Society; Gill Robb Wilson, chairman, Space Education Foundation; Dr. James W. McRae, vice president, American Telephone & Telegraph Co.; the Honorable Roy Johnson, director, Advanced Research Proj-

ects Agency, Department of Defense; and Dr. Edward Teller, director, Radiation Laboratory, University of California, will contribute.

It seems fitting to recall the words of Mr. Edward P. Curtis, General Chairman of the World Congress of Flight, when he said:

No one in any country has attempted to combine in a single event and on such a large scale conferences and forums, outdoor displays and indoor exhibits with air and ground demonstrations, each dedicated to the advancement of aeronautics and astronautics, the twin sciences of flight. It is fitting that this huge effort should be undertaken first in America, the cradle of aviation.

As a Senator from Nevada, the State favored for housing the First World Congress of Flight, I am pleased to report that we Nevadans are proud of the role which we will play as hosts.

I reiterate my words of appreciation and congratulation to my colleagues and associates who will follow the work of this World Congress of Flight. My feeling, as a member of the Senate Armed Services Committee and of the Senate Aeronautical and Space Sciences Committee, is that this is a signal opportunity for men of the free world to further their appreciation and understanding of this important, fast moving, and competitive field.

Mr. BIBLE, Mr. President, I, too, should like to supplement and augment the remarks which have just been made by the distinguished junior Senator from Ohio [Mr. Young] and my colleague, the distinguished junior Senator from Nevada [Mr. Cannon].

As a member of the Senate Appropriations Committee and as the senior Senator from the great State of Nevada, I wish to thank my distinguished colleagues, the Senator from Ohio [Mr. Young] and my esteemed associate from Nevada [Mr. Cannon], for the vivid picture they have painted of the forthcoming World Congress of Flight. We in Nevada are honored and eager to serve as the host State and to participate in this unique enterprise, the World Congress of Flight, which is to be held at Las Vegas from April 12 through April 19. I have noted that Joseph B. Burns, President, National Business Aircraft Association; David R. Hull, President, Electronic Industries Association, Thomas G. Lamphier, Jr., President, National Aeronautics Association; and Jacqueline Cochran, President, Federation Aeronautique Internationale, are each playing a key role in the arrangements for the World Congress of Flight.

To refer again to the program which my colleagues have so ably discussed, I call the attention of Senators to additional presentations which are also parts of the Space Age Conference. Here Dr. Joseph M. Goldsen, of the Rand Corp., will discuss "Outer Space and the International Scene." Project Mercury which, of course, relates to man in space, figures significantly in this space age forum. My understanding is that the mission and operation will be discussed by Dr. Abe Silverstein, Director of Spaceflight Development, National Aeronautics and Space Administration; and Dr.

eral activities like defense work or military bases have created a special need for such facilities.

I am working for early consideration of legislation dealing with juvenile delinquency and have also introduced the Juvenile Delinquency Control Act to strengthen and improve State and local programs to combat and control juvenile delinquency and youth crime, with a portion of the costs to be shared by the Federal Government with the States.

POST OFFICE AND CIVIL SERVICE

The budget request contains a \$350 million increase in postal rates, including raising first-class mail rates from 4 to 5 cents. However the likelihood of enactment of this proposal this year depends on budget and defense expenditure considerations.

The President has recommended to the Congress creation of a 15-man action commission to develop a consistent salary policy for the Government's 2.3 million civilian employees; it would recommend salary systems, rates of pay, and methods to adjust salaries according to changing economic conditions and would report to Congress by February 15, 1961.

I have reintroduced my bill to grant employees of the postal field service time off for one State holiday each year. The Senate Post Office and Civil Service Committee will shortly hold hearings on legislation to provide for Government contributions toward personal health service benefits for civilian officers and employees in the service and their dependents and to authorize payroll deductions for participants.

VETERANS

I have joined in sponsoring the measure which would create in the Senate a Committee on Veterans' Affairs and am also cosponsoring the bill to provide a 1-year period during which certain veterans may be granted national service life insurance.

Both the House and the Senate voted to increase the GI mortgage rate from $4\frac{3}{4}$ to $5\frac{1}{4}$ percent. Senate-House differences must be resolved before the legislation can go to the President to be signed into law. Although I have in the past opposed such interest rate increases, I supported this one as the only practical way money could be made available at this time for GI home mortgage loans since lending institutions have not been making loans at the lower rate.

The present earnings limitations of \$1,400 annually for single veterans and \$2,700 annually for married men imposed upon recipients of pensions for non-service-connected disabilities is unrealistic in the light of the increased cost of living since these limitations were first established in 1952. I am supporting the efforts to raise these inequitable limitations.

MATTERS OF SPECIAL INTEREST TO NEW YORK STATE

Unemployment persist in several areas of our State. In an effort to ease the situation and in cooperation with my colleagues from both parties in the New York congressional delegation, I have been active to see that New York obtains

its full, fair share of defense orders and have also protested the shift from New York to California and other States of Government contracts. To further help New York in this effort, I am joining in legislation to stimulate Armed Forces procurement on the basis of competitive bidding rather than by privately negotiated contracts.

In several instances in which defense contracts of New York firms have been terminated, I have taken effective action to minimize the effect of the termination of contracts by intensive consultation with Government officials in order to avoid as far as possible hardships to the employees of these firms as the result of layoffs and discharges. In a number of cases where there have been layoffs in Federal installations, such as the Scotia Naval Supply Depot, the Brooklyn Navy Yard, the Stewart Air Force Base, and the Plattsburg Air Force Base, among others, I have worked to minimize the extent of layoffs and substitute new activities at these installations for those which were terminated.

In order to relieve the heavy burden on our courts which has resulted in unfortunate delays in litigation, I introduced a bill providing for the appointment of seven additional judges for three Federal courts in the New York area.

To seek relief for the starfish plague which is so adversely affecting the Long Island oyster industry, I have joined in the sponsorship of legislation for an emergency program for starfish eradication in Long Island Sound and adjacent waters.

Of concern to particular areas of our State, I have sponsored legislation to provide for an additional payment of \$165,000 to the village of Highland Falls toward the cost of the water filtration plant constructed by such village; to authorize the conveyance to the city of New York of certain surplus lands comprising the Manhattan Beach Air Force Station at Sheepshead Bay; to recognize Samuel Wilson, of Troy, as the progenitor of America's national symbol, "Uncle Sam"; to request the President to issue a proclamation designating 1959 for the observance of the 350th anniversary of the historic voyages of Hudson and Champlain; and to designate the rose, which is also the New York State flower, as the national flower of the United States.

I have continued my fight against the Chicago water diversion bill which would take water from the Great Lakes for use by the city of Chicago, thus decreasing electric power and shipping potentials in the Buffalo, Ogdensburg, Massena, and other upstate areas.

I have worked for the bringing to New York City of the Republican National Convention for the first time in American history.

I supported before the Civil Aeronautics Board the applications for MacArthur Airport, in Long Island, and Oneonta Airport, at Oneonta, to be certified as airports for use by scheduled commercial airlines. These applications are still pending.

Representative Daniel Reed, of Dunkirk, the dean of New York's congressional delegation, died earlier in the year; his death was a loss to the Nation, as well as to the State.

MISCELLANEOUS

Alaska and Hawaii have now been voted admittance as our 49th and 50th States, bringing into the Federal Union the last remaining two Territories. I supported this legislation.

I have introduced legislation to modernize the tariff laws for works of art and other exhibition material. This bill would greatly increase the number and kind of original art objects imported into this country by art museums and dealers, as well as art patrons who donate sizable collections to art institutions; in addition, it would encourage a much freer international interchange of works of art. I am also sponsoring a bill to permit the importation of trademarked articles, like certain perfumes, now restricted, when the item is for the personal use of the traveler, a gift from a serviceman abroad, or part of the personal effects of a Government employee or immigrant.

I have reintroduced the Voters' Information Act to stimulate increased citizen participation in Government and elections by providing for the prominent display in post offices of information concerning registration, elections, and voter qualifications, along with name and office address of the Representatives and U.S. Senators representing the areas served by the post office.

The question of publicity for payrolls of Members of Congress is one which has received much and deserved public attention of late. I favor full disclosure of such expenditures in both the Senate and House of Representatives. I am the sponsor of several measures looking toward the maintenance of the highest possible standards of ethics in Government service. Needless to add, neither as a Member of the House of Representatives, as attorney general of New York State, nor as a Member of the Senate have I had a relative on my official payroll.

To stimulate throughout the United States advancement of the performing arts, I introduced a bill to establish an Arts Foundation to assist and encourage productions of plays, concerts, ballet, and other performances by marshaling professional advice, compiling registers of theaters and personnel, and providing subventions to help with the difference between box office receipts and costs, both from its own appropriations and from contributions made by private sources. The soul of our Nation is as vital as its productive power.

I have sponsored legislation to make Lincoln's birthday a national holiday.

I have joined in sponsorship of the proposal to permit the President an item veto in appropriations and other measures.

CONCLUSION

As the foreign and domestic crises which continually confront our Nation

appear, mature, and are dealt with, it becomes increasingly important that the people have a better understanding of what goes on in the Federal Government and what their elected legislators are doing. I am endeavoring to further this undertaking through this report and frequent reports to the State on radio and television; I ask from my constituents, on their part, letters and expressions of opinion; these are a valuable aid in my work here. In addition, the citizen's Federal problems are an important part of my duty. I sincerely hope that you will continue to express your views to me; also that you will feel free to visit my office in New York City—341 Ninth Avenue—or in Washington.

AMENDMENT OF REORGANIZATION PLAN NO. 2 OF 1953

The Senate resumed the consideration of the bill (S. 144) to amend Reorganization Plan No. 2 of 1953.

Mr. JOHNSTON of South Carolina. Mr. President, 25 years ago, as Governor-elect of South Carolina, I came to Washington to see the late President Roosevelt to seek funds to start a rural electrification program in South Carolina.

Early in 1935 the South Carolina General Assembly created the South Carolina rural electrification program which preceded action on the national level. Later that spring, by Executive order, President Roosevelt sent \$100,000 to my State to help initiate this program. In 1936 Congress passed legislation creating the national rural electrification program. It was patterned after the program initiated in South Carolina. The South Carolina act was drafted in Washington at that time by the administration.

I know well the story, history, and good record of REA from top to bottom. When the REA was first created, the Congress established the office of Administrator of REA. Besides the paperwork and administrative functions, the REA Administrator was charged with the duty of approving or disapproving loans for rural electric programs. For over 23 years this function was performed by the REA Administrator.

Then, in May of 1957, the Secretary of Agriculture, within whose Department REA had functioned independently, decided to assume the loanmaking powers of the REA Administrator. There is no justification for this assumption of power by the Secretary of Agriculture.

The REA program has been efficiently operated without the slightest blemish on its record. Cooperatives in a great part of the country are ahead of schedule on their repayments, and the REA has not lost a thin dime of the Government's money. I point out that \$1 billion has been repaid the Government by cooperatives on loans. It is a self-sufficient agency of the Government which has assisted the rural people of this Nation to come out of the Dark Ages and join the rest of the lighted world.

Before REA existed, more than 90 percent of rural America was still living at night by candlelight and lanterns. After years of futile pleading for extension of city lines to rural areas, the rural electric cooperatives were organized by the rural people themselves to do the job.

Today more than 90 percent of rural America is lighted with electricity. This commendable job was done under the administration of REA which, until 1957, was headed by the Administrator of REA, who made decisions on placing loans.

This bill, of which I am a cosponsor, would not change the REA program or its personnel in any way. It would only restore the REA to its original organization and operation which worked so successfully and above reproach for so many years.

The rural electric cooperatives in my State of South Carolina and the cooperatives all over America have endorsed this proposed legislation.

I certainly endorse this legislation for, if the Secretary of Agriculture plans to administer the rural electric program in the future as he has administered the farm programs in the past, the REA program will be wrecked in a short time.

I would much rather have a very weak law on the statute books and have a good Administrator than to have a strong law on the statute books and have a poor Administrator to administer it—one who was trying his best to kill it.

REA is a continuous program. As people buy more electrical equipment and modernize their farm operations, they will be needing more and more electrical energy. As this need grows, so grows the need for heavier distribution lines, and with such growth comes the need for new loans and new authorizations. The Administrator of REA, and not the Secretary of Agriculture, should be in the position of judging the soundness and need for such loans.

An unfriendly Secretary of Agriculture with no sympathy for the programs of REA, and not sworn to defend REA, could render havoc to our local REA programs. Farmers without adequate electricity do not buy electrical appliances and do not modernize their operations. A stagnant cooperative, like any other business, will degenerate. Incompetence in Washington can result in the bleak picture of a rural America being dotted with dying cooperatives.

The very existence of rural cooperatives and the REA program may depend on passage of this legislation or some similar legislation; I urge the Senate to support this bill, in order to defend the Rural Electrification Administration against the present Secretary of Agriculture. If we do not enact such legislation, I fear that rural electrification is in great danger.

Mr. SYMINGTON. Mr. President, I wish to associate myself with the remarks made by the very able senior Senator from South Carolina with respect to the rural electrification program.

At least as much as any other program, the rural electrification program has

contributed to a better way of life for farmers, and others, all over rural America.

The accomplishments of the REA in the past 24 years are well known.

In my own State, at the time the REA was created in 1935, but 6 percent of the farm families were receiving electric service.

Now, more than 95 percent of Missouri's farms are being served by this great institution.

The REA is an outstanding example of the type of achievement that can be had when individual farmers, in cooperation with both their neighbors and their Government, set out to do a job.

In recent years, there has been a growing feeling of apprehension on the part of the REA members of Missouri. When it became known that the Secretary of Agriculture was exercising final authority in passing on certain loans, our people became even more concerned.

As a member of the Government Operations Subcommittee in the last Congress, I was privileged to hear witnesses from all over the country request that the REA Administrator be given full authority for the loanmaking policy and functions of the REA.

Recently, at the national REA convention here in Washington, I also had the privilege of visiting with the leaders, as well as many members of the electric cooperatives in Missouri.

These people reiterated their support for the principles embodied in S. 144. They expressed their sincere view that the rural electrification program was created to provide electric service to farmers and farm areas.

The REA has been, and should continue to be, an organization of farmers, for farmers; therefore it should continue to be associated with those agencies of the Government primarily concerned with agricultural matters.

For a few years after the REA was created, it was an independent agency. In 1939, after 4 years of operation and study, the Congress decided to place the REA as part of the Department of Agriculture—in other words, as an independent agency of that Department.

As the chairman of the Agriculture Committee, the distinguished Senior Senator from Louisiana, said in the Senate Agriculture Committee on March 5 and 6:

As far as I am concerned, I don't recall having heard very much criticism of the operations of the REA so long as it was under Agriculture as a more or less independent agency * * * It made its greatest progress while it was under Agriculture, where it received sympathetic review by the Department that was interested in the farmer.

Mr. President, the best interests of the REA will be served if we follow the philosophy of S. 144—to keep the REA within the Department of Agriculture; and give the Administrator of the REA full and complete authority with regard to the loan making and financial functions of the program.

Mr. CURTIS obtained the floor.

Mr. CAPEHART. Mr. President, will the Senator from Nebraska yield so that I may suggest the absence of a quorum?

Mr. CURTIS. I yield for that purpose.

Mr. CAPEHART. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. LAUSCHE in the chair). The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. CURTIS. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CURTIS. Mr. President, I am pleased to offer an amendment in the nature of a substitute for the bill now under discussion. The distinguished senior Senator from Georgia [Mr. RUSSELL] has joined me in offering the amendment. Our amendment, if enacted, would recreate the Rural Electrification Administration as an independent agency of government. It would recreate the agency in the status originally conceived and originally intended.

Mr. President, I should like to call the attention of the Senate to the text of S. 144. It consists of 15 lines on page 2, from line 7 to line 22.

I ask anyone to inform us who will run REA if the bill shall be enacted. I ask anyone who reads the amendment offered by myself and the distinguished Senator from Georgia [Mr. RUSSELL] whether he has any doubt in his mind as to who would run REA under the substitute. I shall refer to that point later.

I suppose that, if we were asked to select the greatest accomplishment in farming, in our generation, it would be very easy to point out the electrification of our farms. In 1935, 11 percent of our farms were receiving central station electric service. Today, 96 percent of our farms are getting such service.

One of the most interesting and praiseworthy aspects of our rural electric program, through its first 23 years of operation, is that it has enjoyed the strong support of Members of Congress from farming States. When REA was created, in 1935, it was set up to be a non-partisan agency dedicated to the bringing of electricity to our farms. While there have been, at different times, political charges and counter charges surrounding some REA side issues, involving controversial power projects proposed for construction by the Department of the Interior, the program for authorization and appropriations of REA funds have had the votes of Republicans and Democrats alike, representing our farm States in Congress.

President Roosevelt created the REA by Executive order in 1935. A year later, Representative SAM RAYBURN, in the House, and Nebraska's Senator George W. Norris, in the Senate, sponsored legislation to prescribe its governing rules.

Permit me to cite a few facts. Since 1952, there has never been any year in which money for loan authorization was insufficient. In the 1957 fiscal year, a volume of applications exceeded the ex-

pected demand for new loans. The administration hurriedly requested \$200 million for additional loans, and the authority to make the loans was speedily approved by the Congress.

Since 1952 the backlog of loan applications made to the REA headquarters has been wiped out and loans are being processed faster by Administrator Hamil than ever before in the history of REA. At this point let me relate that Davy Hamil, our REA Administrator, is doing the best job ever performed by any REA Chief. He is a farmer who worked with REA problems as a consumer and as an official of his co-op. In the legislature of his native State he labored effectively on legislation to promote REA. He is a diligent man, and is performing an excellent public service.

Because of the criticism of this administration's handling of the REA program, I have spent much time studying REA matters. About 2 years ago, the Secretary of Agriculture asked Administrator Hamil to submit, for review by him, all loan applications in excess of \$500,000. This has resulted in much strife, noise, and name calling. The Secretary's request was based on two reorganization plans—one in 1939 and the other in 1953. The earlier plan, authored by President Roosevelt, removed REA from its independent status and placed it within the Department of Agriculture "under the general direction and supervision of the Secretary of Agriculture." The reorganization plan of 1953 further implemented the 1939 act and gave to the Secretary of Agriculture "all functions" of other departmental employees "not now vested in him." When the Secretary asked for review of all REA loans over \$500,000, the concern in some places caused the Senator from Minnesota [Mr. HUMPHREY] to introduce a bill in the Senate, and Representative MELVIN PRICE to introduce a bill in the House, nullifying the 1953 reorganization plan. I am a member of the committee, along with the Senator from Minnesota, which studied his bill, and sat in the hearings on it.

The interesting feature of the hearings was not the heated politics, but the fact that officials of local REA's who came before the committee to support the Humphrey bill all stated, to a man, that review of loans had not slowed down, at any time, the making of loans. Davy Hamil testified that every loan approved by him has been made, and that review of the loans over \$500,000 has not, in one single instance, reversed any loan he has approved.

During the past fall, I gave much thought to REA matters. I discussed REA with many Nebraskans who are interested in it. I reread hearings and debates on REA legislation. It occurred to me that the best interests of our fine and progressive rural electric program will be served by reestablishing its independent status. I discussed my plans with the Senator from Georgia [Mr. RUSSELL]. He agreed with me and, on January 9, 1959, we introduced a bill to reestablish the Rural Electrification Administration as an independent agency of the Federal Government. Our bill, if enacted, will

permit REA to operate as originally conceived in 1935, and as authorized by the Norris-Rayburn Act of 1936.

There is a logical background for the amendment. In 1944, Senator E. D. Smith, as chairman of the Committee on Agriculture, introduced a bill, S. 2034, to return the Rural Electrification Administration to independent status. This followed 5 months of hearings on REA problems, and the issuance of a subcommittee report recommending the proposed legislation which was signed by two Democrats and two Republicans.

Senator Lucas, on January 6, 1945, introduced a so-called postwar planning bill for REA—S. 89—which contained, among other provisions, the reestablishment of REA as an independent agency. It passed the Senate on May 14, 1945, without a record vote.

During the hearings on Reorganization Plan No. 2 of 1953, Mr. Clyde Ellis stated in behalf of the National Rural Electric Cooperative Association:

Rural electric leaders have never become reconciled to the placing of REA in the Department of Agriculture and have continued to feel that the program would be better served by a completely independent agency.

Some fears have been expressed, and I believe with absolute sincerity, that disadvantages might accrue to the Rural Electrification Administration should it become an independent agency. These fears can be allayed by taking notice of REA's stature with Members of Congress of both parties. The widespread support for REA and its progress should certainly assure a wholesome continuation of its objectives. All members of Congress knowledgeable of the benefits of central station electric service to rural America will accord REA the support it deserves and merits. Those Members comprise a substantial majority in both Houses of Congress.

I have received many letters and resolutions from officials of REA districts supporting the amendment in the nature of a substitute which I have offered for myself and the Senator from Georgia [Mr. RUSSELL]. In addition, I am proud that the Nebraska Rural Electric Association, in a State convention on February 2, 1959, adopted a resolution supporting this proposal and a bill similar to it introduced in the House of Representatives by Representative LAWRENCE BROCK, of Nebraska.

Many arguments both pro and con were made at the time the Rural Electrification Administration was transferred to the Department of Agriculture in 1939. Regardless of the merits of those arguments, the great changes which have occurred in the electric industry since 1939 require a reappraisal of the justification for moving REA into the Department of Agriculture. Probably no other industry in the country has gone through greater changes than that of the generation, transmission, and distribution of electric energy. The borrowers from REA play an important part in this work. The rapid growth and peculiar problems of supplying electricity to people in rural areas require that REA be subject directly to Congress as an independent agency. While the sup-

plying of electric energy to persons in rural areas has some factors common with other activities of the Department of Agriculture it is increasingly clear that the problems of the future with respect to REA work will not be the type of agricultural problems with which the Department is concerned.

It is my belief that the creation of REA as an independent agency will not violate the principles of the Hoover Commission report.

Having determined that the agency should be independent, it is necessary to assure that it will be completely free. Any attempt to give the Administrator partial control, and at the same time to retain some control in the Department of Agriculture, could only lead to utter confusion and the disadvantage of the program. Overlapping areas of jurisdiction and control are the fertile fields of confusion and delay which lead to a breakdown of the service being rendered to the farmers by the REA program.

The discussions before the Subcommittee of the Committee on Agriculture clearly show that there is confusion as to the intent and purpose of Senate bill 144. If it is intended to mean that the bare act of affixing or refusing to affix his signature to a loan is the sole responsibility of the Administrator, the bill is meaningless. If it means that all decisions as to policies, procedures, and personnel, which are the ingredients of the loan process, are to be made by the Administrator, then the enactment of the bill would result in removing the REA from the Department of Agriculture.

The substitute offered by me and the Senator from Georgia [Mr. RUSSELL] removes all doubt as to the authority of the Administrator with respect to the loan programs authorized by the Rural Electrification Act of 1936, as amended. Senate bill 144 creates confusion and doubt as to who has the final responsibility for carrying out the objectives of this act. Even the most charitable view of Senate bill 144 means that there will be two administrative heads of the REA. The extent of the authority of either of these heads is not made clear by the provisions of Senate bill 144. Having two bosses with their jurisdiction undecided could lead to only one end, namely, hopeless confusion and a serious adverse effect on the accomplishments of the REA program. The Congress should not at this time take any action which might defeat the objectives of the act.

For example, Senate bill 144 proposes to repeal the part of Reorganization Plan No. 2 of 1953 which transferred to the Secretary of Agriculture authority in addition to that given him by Reorganization Plan No. 2 of 1939. That is proposed in an effort to give to the Administrator sole responsibility for the making of loans. At the same time, if Senate bill 144 is enacted, the Administrator will have, according to title I of the Rural Electrification Act of 1936, with amendments—

all of the powers of which shall be exercised by an Administrator under the general di-

rection and supervision of the Secretary of Agriculture.

There is no effort to clarify what "general direction and supervision" the Secretary of Agriculture will then have, should Senate bill 144 be enacted.

Mr. President, I now come to the very crucial point of the distinction between these two proposals. I believe that the authors of Senate bill 144 have acted in good faith and with good intentions. But I am convinced that the language they have used is such that it defeats the whole objective they seek; and I call attention to this particular point:

Section 3 of the Rural Electrification Act of 1936, as amended, provides:

The Secretary of the Treasury is hereby authorized and directed to make loans to the Administrator, upon the request and approval of the Secretary of Agriculture.

Mr. President, that provision is not changed by the Humphrey bill, Senate bill 144. This is obviously an important policy function still vested in the Secretary of Agriculture, which is not dealt with in Senate bill 144.

In other words, Mr. President, suppose there were to develop a situation in which the Secretary of Agriculture and the Administrator of the REA disagreed. Under the Humphrey proposal, the Administrator of the REA would have the sole authority to approve or to disapprove an application made by a local REA for a loan. But the authority to obtain the money from the Treasury, so the local REA could obtain its loan, would rest solely with the Secretary of Agriculture.

Could there be more confusion; could there be a greater blow to the fine REA program, than to have such dual authority? It is true that if such a proposal were enacted, nothing might happen under it for a time. But if there were a Secretary of Agriculture and an REA Administrator who were not working in harmony, then a proposal of this kind would result in such a situation that the REA Administrator would be the only one who could approve a loan which was sought by a local REA; but the only one who could obtain from the Treasury the funds with which to make the loan would be the Secretary of Agriculture. Such legislation would not be good; it would not result in sound governmental procedure; it would not be in accord with the Hoover Commission's report; it would not be fair to the American farmers. Instead, it would create legislative chaos.

I am thoroughly convinced that the authors of Senate bill 144 did not intend any such thing. But all the consideration and endorsement of Senate bill 144 by various organizations occurred prior to the writing of the present language of Senate bill 144 and prior to full discussion of the meaning of the language used.

Mr. President, it is my hope that the authors of Senate bill 144 will withdraw their bill and will reconsider it, or else will accept our substitute.

I suggest that all the Members of this body read Senate bill 144 and try to determine who will run the REA program. The bill says that the program

shall be operated under the direction and supervision of the Secretary of Agriculture; but then the bill provides that only the Administrator can approve or disapprove an application for a loan, although the bill leaves in the Secretary of Agriculture the sole responsibility of obtaining from the Treasury the money with which to make the loans.

I suggest that all Senators read the bill, and determine who will administer the REA program; and I suggest that then they read the substitute, and then see whether they have any doubt about what will happen.

Our amendment in the nature of a substitute provides:

There is hereby created and established in the executive branch of the Government an independent agency to be known as the Rural Electrification Administration.

A little later our amendment provides:

The Administrator shall have direction, supervision, and control of the Rural Electrification Administration and all of its operations and functions as authorized in the Rural Electrification Act of 1936, as amended.

Mr. President, the substitute may not prevail. It ought to; and I believe it may. But if this issue is carried back home to the local REA's, Senate bill 144 will be a bad one to take to them. All one has to do is read the 15 lines of the Humphrey bill to find that no one can say that there is central authority and responsibility provided for the REA program.

During hearings on the Curtis-Russell substitute before the subcommittee of the Senate Committee on Agriculture, headed by the Senator from Florida [Mr. HOLLAND], it was stated that our substitute would "make possible the arbitrary discharge of experienced, capable and loyal employees of the Rural Electrification Administration."

The Curtis-Russell substitute has been drafted in accordance with standard provisions contained in all reorganization bills coming before the Congress. The authority to transfer personnel is always designated in this type of legislation. It is inconceivable, and almost ridiculous, to presume that Davy Hamill, as Administrator of the independent agency, would want to discharge capable and loyal employees of the REA. These apprehensions, however sincere, are not supportable. For example, our substitute bill duplicates the procedure taken under the act of August 6, 1953, which established the Farm Credit Administration as an independent agency. Does any colleague know of any instance wherein capable and loyal employees of the Farm Credit Administration were arbitrarily discharged as a result of that reorganization plan?

To allay any other fears, the Curtis-Russell substitute proposes that the substantive legislation relating to REA and its appropriations shall come before the Committees on Agriculture of both Houses, and before the same Appropriations Subcommittees now possessing jurisdiction.

The broad consideration and support which REA has received from a large majority of the Congress, representing

both political parties, give me full assurance that our Rural Electrification Administration can best operate and grow and prosper as an independent agency. I sincerely believe that enactment of S. 144, as reported, can only serve to compound a confusion which we know exists, and make it worse, to the detriment of America's rural community.

Mr. President, the question has been raised, Do either of these proposals violate the principles of the Hoover Commission report? I say that S. 144 as reported by the committee violates the basic principles of the Hoover Commission recommendation. The objective of the Hoover Commission was to centralize authority, to establish a direct chain of command. The Humphrey bill defeats the principle of centralized authority and of a direct chain of command. For instance, if it shall become law, only the Administrator will be able to approve a loan, but only the Secretary will have final authority to secure funds from the Treasury to make the loan.

Could anything be more confusing? I hope the distinguished Senator from Minnesota [Mr. HUMPHREY], who is so devoted to rural America, will withdraw his bill and consider the language again.

Mr. President, during yesterday's debate, as shown on page 4889 of the CONGRESSIONAL RECORD, the senior Senator from Minnesota cited certain examples to support his bill as reported from the committee. Among these examples he cited the Federal Maritime Board, the Bureau of Mines, and the General Counsel of the National Labor Relations Board. To my knowledge, neither the Bureau of Mines nor the General Counsel of the National Labor Relations Board has any loan programs under their respective jurisdictions.

However, in the case of the Federal Maritime Board, I should like to remind the distinguished senior Senator from Minnesota that Reorganization Act 21 of May 4, 1950, gave absolute control to the Chairman of the Federal Maritime Board over regulatory and personnel functions. The regulatory functions contained in the Shipping Acts of 1916 and 1933, and certain few ones contained in the Merchant Marine Act of 1936, were brought under the absolute control of the Chairman of the Maritime Board. On the contrary, there was reserved in that Reorganization Act to the Secretary of Commerce authority for general policy direction over the granting of subsidies for the construction and operation of merchant and passenger vessels under contract with the Federal Maritime Board. The Federal Maritime Board disburses very large amounts of money for construction and operating subsidies and, as previously stated, the general policy over these subsidies has been reserved to the Secretary of Commerce by Reorganization Act 21 of May 4, 1950.

In closing, I wish to say there is no precedent and no pattern for S. 144. Its enactment would result in utter confusion. It would not do what its authors think it would. Some of the authors of the bill have expressed the opinion that S. 144 would create a situation such as exists in the case of the Farm Credit

Administration. That is absolutely incorrect. The Farm Credit Administration is an independent agency, with all the power vested in one place.

Again I say, read the two proposals, and see if it can be determined who would run the REA if either one of the proposals were enacted.

There is no doubt what would happen under the Curtis-Russell proposal. The agency would be an independent agency. The Humphrey bill is condensed confusion in 15 lines. Admittedly, it vests with the REA Administrator the authority to make a loan to an REA in any of our States, but vests in the Secretary of Agriculture power over all further functions—legal, general policies, interest policies, and everything else—but, more than that, only the Secretary of Agriculture could get the money out of the Treasury to make the loans.

Mr. President, I yield the floor.

CALL OF THE ROLL

Mr. CAPEHART. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Fulbright	Morse
Allott	Goldwater	Morton
Anderson	Gore	Moss
Bartlett	Hart	Mundt
Beall	Hartke	Muskie
Bennett	Hayden	Neuberger
Bible	Hennings	O'Mahoney
Bridges	Hickenlooper	Pastore
Bush	Hill	Prouty
Byrd, W. Va.	Holland	Proxmire
Cannon	Hruska	Randolph
Capehart	Humphrey	Robertson
Carlson	Jackson	Russell
Carroll	Javits	Saltonstall
Case, N.J.	Johnson, Tex.	Schoeppel
Case, S. Dak.	Johnston, S.C.	Scott
Church	Jordan	Smathers
Clark	Keating	Smith
Cotton	Kefauver	Sparkman
Curtis	Kennedy	Stennis
Dirksen	Kerr	Symington
Dodd	Kuchel	Talmadge
Douglas	Langer	Thurmond
Dworshak	Lausche	Wiley
Eastland	Long	Williams, N.J.
Ellender	McCarthy	Williams, Del.
Engle	McClellan	Yarborough
Ervin	McNamara	Young, N. Dak.
Frear	Martin	Young, Ohio

Mr. HENNINGS. I announce that the Senator from New Mexico [Mr. CHAVEZ], the Senator from Rhode Island [Mr. GREEN], the Senator from Alaska [Mr. GRUENING], the Senator from Montana [Mr. MANSFIELD], the Senator from Wyoming [Mr. MCGEE], the Senator from Oklahoma [Mr. MONRONEY], and the Senator from Montana [Mr. MURRAY], are absent on official business.

I further announce that the Senator from Washington [Mr. MAGNUSON] is absent because of illness and that the Senator from Virginia [Mr. BYRD] is absent because of illness in his family.

Mr. KUCHEL. I announce that the Senator from Maryland [Mr. BUTLER] is absent on official business for the Committee of Interstate and Foreign Commerce.

The Senator from Kentucky [Mr. COOPER] is absent on official business.

The PRESIDING OFFICER. A quorum is present.

AMENDMENT OF REORGANIZATION PLAN NO. 2 OF 1953

The Senate resumed the consideration of the bill (S. 144) to amend Reorganization Plan No. 2 of 1953.

Mr. CAPEHART. Mr. President, I am opposed to Senate bill 144, on which I filed minority views. I do not wish to speak for the majority leader or the minority leader, but it is my understanding that only three or four Senators may wish to speak for perhaps 3 or 4 minutes, and that after they have concluded their remarks the Senate will vote on the substitute offered by the Senator from Nebraska [Mr. CURTIS].

The substitute, of course, would make REA an independent agency. That would be much better than the situation which would result under Senate bill 144. I am a member of the Committee on Government Operations. The able Senator now presiding [Mr. LAUSCHE] and I listened to all the testimony a year ago.

Senate bill 144 is nothing more than what might be termed spite legislation. There is absolutely no more need for Senate bill 144 than there is for my having a third leg. Every person who testified before the committee, even those who were in favor of Senate bill 144, testified that the present administration of REA under Secretary Benson and Mr. Hamil had been 100-percent perfect; that they had never had an application for a loan rejected; that there never had been any delay in the granting of loans; that the operation of the agency, so far as they were concerned, had been excellent. The only reason the witnesses gave for wanting to change the procedure was that they were afraid of what might happen in the future. That is the only reason they gave in their testimony for wishing to change the present act.

I call attention to the committee report, at page 11. REA has been in existence for 24 years. In the 6 years in which it has been operated by Mr. Benson and Mr. Hamil half as many loans were made as were made during the two previous administrations. I am not criticizing the previous administration. During the past 6 years half as many loans were made as were made in the previous 18 years. There is nothing in the record anywhere which indicates that the Department of Agriculture has not been cooperating with REA. In fact, the record is just the opposite. For example, the record shows the total new loan funds appropriated amount to \$1,545 million during the 6-year administration of Benson and Hamil; and \$2,954 million during the previous 18 years under the former administrations.

The record shows, for gross loans made, under Benson and Hamil, \$1,227 million; during the 18 years from 1935 to 1953, under previous administrations, \$2,619 million.

For loans for generation and transmission facilities—and this is the item to which I wish to call particular attention, because it is the one about which some persons have expressed fear, apprehending that they will not get loans—under Benson and Hamil, for 6 years, \$400 million; during the previous 18 years, the amount was \$469 million. I could continue to recite additional facts.

However, no showing has been made to indicate that we should deny the Secretary of Agriculture the right to veto loans.

I ask Senators to believe me when I say that the whole purpose of the proposed legislation contained in S. 144 is to embarrass Secretary Benson and the Department of Agriculture. There will be other Secretaries of Agriculture. Secretary Benson will not be in office forever.

The substitute offered by the able Senator from Nebraska [Mr. CURTIS] calls for establishing REA as an independent agency. That would be a great deal better than to take authority away from the Secretary of Agriculture. Under S. 144 the REA remains in the Department of Agriculture, the moneys for it are appropriated to the Secretary of Agriculture, and he has the responsibility for them, but he has absolutely nothing to say about the loans.

If we adopt the substitute and make REA an independent agency, we will be where we were when the agency was first established. President Roosevelt, after it had operated 4 years as an independent agency, put it in the Department of Agriculture. It has been there ever since. The Department of Agriculture has done well with it. We should not be taking up the time of the Senate debating a proposal such as Senate bill 144. It is not needed. As I said a minute ago, it would be 100 percent spite legislation. Not one good reason has been advanced to support the enactment of such legislation.

Therefore, Mr. President, after a vote has been taken on the substitute proposed by the Senator from Nebraska, I shall make a motion to recommit the bill to the Committee on Government Operations for further study. I do not believe the Senate is ready to act upon this measure. I do not believe we can foresee what the consequences of the proposed action would be. If we are to do anything, we should make REA an independent agency. If we pass S. 144, no one will know who has the authority, whether it be the Director of REA or the Secretary of Agriculture. After the vote is taken on the substitute, I shall make a motion to recommit the bill.

Mr. AIKEN. Mr. President, has the motion to recommit been made?

Mr. CAPEHART. No; I shall make it after the vote is had on the substitute.

Mr. AIKEN. Mr. President, I know that there are not many Members of the Senate who have supported the REA program longer and more earnestly than I have. I yield to no one in the support of the program at the present time. If I thought either of the proposals now before the Senate would improve the REA program, I would certainly support the one which I thought would advance its work the best.

I do not agree with some of the recommendations made by the administration relating to the work of the Rural Electrification Administration. I do not believe that this is the time to raise the interest rates. After all, if there is a subsidy involved in the low rate of interest at which money is loaned to REA

cooperatives, that amount is small in comparison with the subsidies which were paid to corporate utilities through the rapid writeoff of a few years ago.

I do not agree that we should cut out loans for generating and transmission facilities for rural cooperatives. I do not agree with the Comptroller General's ruling, issued last fall, to the effect that the rural electrification program cannot serve any rural resident who lives within an area which is served by any other utility.

I do not believe that now is the time to force REA cooperatives to go to banks to borrow money at a high rate of interest, and at a time when the interest rate is going higher every day. The work of a large percentage of the rural cooperatives is not completed. It must be completed before we begin to think in terms of high interest rates or of eliminating Government loans altogether.

The REA program has done tremendous good. It has resulted in the development of sparsely settled areas, and in the introduction of small industries, the building of homes, and the improvement of farms in those areas. I cannot say too much for the good work which has been done. I will support the REA program to the best of my ability.

If I thought that either of the proposals now before the Senate would improve the work of the REA, I would be advocating them. However, we should not want to build up additional independent agencies in our Government. We went through that back in the 1930's, when a great many independent agencies were established. When the first Hoover Commission was created in 1947, there were 65 such independent agencies. That did not make for good government. The Hoover Commission recommended the elimination of a great many of them. The number has now been reduced from 65 to 40. I do not want to start in the other direction at this time, because to do so would not be conducive to good government.

In a report to the 81st Congress, relating to a study of the Department of Agriculture, the Hoover Commission said:

We have urged in our first report that the foundation of good departmental administration is that the Secretary shall have authority from the Congress to organize and control his organization, and that separate authorities to his subordinates be eliminated.

That recommendation was approved by Congress.

The concluding report of the Hoover Commission to the same Congress stated:

Once the practice of exempting certain agencies and excepting particular functions has begun, the chance of achieving substantial improvements in the efficiency of the Government will speedily diminish.

Although Congress accepted those recommendations of the Hoover reports, both the proposals now before the Senate would tend to start a movement the other way, a movement toward poorer and less efficient government than we now have.

Senate bill 144 takes from the Secretary of Agriculture only the right to ap-

prove loans. It leaves the control over all the rest of the REA in his hands. The Secretary of Agriculture, as I understand the REA law, is the only one who can get money to make the loans. Yet the proposal would take the disposition of the money out of his hands and place it in the hands of a subordinate official.

The bill appears to be aimed at Secretary Benson. I have disagreed with him frequently, even vigorously at times; but I do not like to have legislation directed at one person. I do not expect that he will be Secretary of Agriculture forever. I do not believe we should legislate now to eliminate a legitimate and proper function of the Secretary of Agriculture simply because some Senators do not happen to like the present occupant of that Office.

Furthermore, so far as I know, the present Secretary of Agriculture has not denied or vetoed any worthy loan which has proposed by the Rural Electrification Administrator. This proposal will not help. I have been tempted to vote for it as an antidote for the vigorous and vicious attacks which are being made upon the REA program; but I do not believe I would be doing anyone any good by voting in that way simply to get even with someone else.

I believe we had better leave the law and the program as they now are. I shall oppose any attempts on the part of the administration to make things more difficult for the REA program to carry on; but I shall support the administration—and I believe it is the administration's position—in not wanting to have these proposals adopted, because in this case the administration is right.

The only way we can and should vote is to vote for what we think is right, regardless of whether we like or dislike the supporters or the opponents of a certain measure.

Mr. KUCHEL. Mr. President, will the Senator yield?

Mr. AIKEN. I yield.

Mr. KUCHEL. As always, the views of the distinguished Senator from Vermont are most persuasive. Am I to understand the Senator to indicate that if Senate bill 144 were passed, the control of the funds which might thereafter be used for loans would remain in the Secretary of Agriculture, so that there would be some hiatus?

Mr. AIKEN. The bill reads as follows:

That the functions and activities of the Rural Electrification Administration and the Administrator of the Rural Electrification Administration which were transferred to the Department of Agriculture and to the Secretary of Agriculture by Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953 are hereby transferred to the Administrator of the Rural Electrification Administration, and shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture; except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture.

The Secretary of Agriculture is required under the law to get the money; but once he gets it, the bill would give a subordinate official the full and final authority over the lending of it. That would not be in accord with the thesis of good government which requires some kind of control from the top down through subordinate agencies.

Mr. KUCHEL. I thank the Senator from Vermont.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. AIKEN. I yield.

Mr. CURTIS. Under existing law, the Secretary of Agriculture can borrow from the Secretary of the Treasury such amount as he thinks necessary. Is not that correct?

Mr. AIKEN. That is as I understand.

Mr. CURTIS. He could reduce the amount, or he could enlarge it.

Mr. AIKEN. That is correct.

Mr. CURTIS. That makes the Humphrey proposal meaningless, because if at a future time—5 years or 10 years from now—there were a Secretary of Agriculture and an REA Administrator who were not getting along, who were following divergent policies, even though the REA Administrator had the power of final approval of the making of a loan to a local REA, the Secretary of Agriculture could withhold a request to the Secretary of the Treasury for the amount of the loan or a part of the amount.

Mr. AIKEN. The Secretary, in effect, would have full control over the making of the loan, simply by refusing to furnish the money with which the Administrator could make the loan. Therefore, I think this arrangement would be an idle gesture.

Although I have disagreed frequently with the policies of the Secretary of Agriculture, I do not feel we should take a gratuitous slap at him in this matter, because he has not so far denied, and I do not think he would in the future deny—I hope he would not, anyway—any legitimate request from REA cooperatives for funds. In fact, it has been pointed out that the loans which have been made in the 6 years from 1952 to 1958 have amounted to \$1,227 million, while in the previous 18 years loans were made amounting to \$2,619 million.

Mr. President, I know it is said that the Secretary is going to do some harm to the REA. However, the fact remains that he has not yet done such a thing. The fact also remains that even if Senate bill 144 were enacted, if he were minded to do harm to the REA, he still would have authority to do so.

Mr. LAUSCHE. Mr. President, I was a member of the Government Operations Committee which took testimony on this bill. I attended practically every meeting of the committee. An examination of the testimony there taken will disclose that the record of the hearings does not contain a single piece of competent, tangible evidence to show that a single application for an REA loan was ever delayed or rejected under the present method of administering the loans.

There was discussion about a Hoosier application, in Indiana. But when inquiry was made into the application for

the Hoosier loan, the testimony disclosed that that cooperative was promised that an aluminum company would build an \$8 million plant in Indiana. Based upon that commitment, the application for a loan was made. The application was being considered and processed when the cooperative in Indiana learned that the aluminum company was not going to build the plant there. When that fact was established, of course, the validity for the loan came to an end.

I have tried to determine the reasons for asking that the administration of this function of Government be taken from the Department of Agriculture and be placed in the centralized authority of the Administrator of the Rural Electrification Administration. If the record is examined, it will show that three reasons were given:

First, dissatisfaction with the farm policy of Mr. Benson.

Second, dissatisfaction with the position the administration took on the Hells Canyon project.

Third, dissatisfaction with the proposal of the administration that the Government collect on its loans interest equal to that which it has to pay on whatever it borrows.

Those are the three reasons which were stated, in asking that the administration of this function be taken from the Department of Agriculture and be given to a separate agency.

Mr. President, I believe in centralized control. I think the Hoover Commission recommended it. And I believe commonsense dictates that there cannot not be two heads on one body and that it is not wise to attempt to have four hands hold the reins of one horse.

For that reason, in 1936 and in 1953 the administration of this agency was placed in one man.

In conclusion, let me say this effort is one to reorganize the Government to suit the whims and the desires of particular sponsors and groups at a particular time. My experience has been that whenever one tries to reorganize the Government to suit himself he gets into trouble.

If Mr. Benson is not acceptable now, there will be—probably 2 years from now—someone other than Mr. Benson in the administration. Will it be proper then, for those who believe that the one who now is under the control of Mr. Benson is not administering these matters in the way they want them administered, to come to the Congress and say to the Congress, "Reorganize the Government to suit our convenience"?

Mr. President, I have watched that game played in politics. I have seen political parties in Ohio change the rules of the game, thinking that the change would gain them privilege. But it never works out that way; there comes a reaction to such a proceeding; there comes a day for the payment of compensation.

In substance, this bill contemplates reorganizing the Government to suit the whims and caprices of some who are not satisfied with what is being done by a particular person in the administration.

Mr. HUMPHREY. Mr. President, I cannot let the recent statements go un-

challenged, because the purpose of the bill is not to reorganize at the whim of someone. Instead, the purpose is to reorganize on the basis of what was the organization for 14 happy and successful years.

There is an expressed desire on the part of a large number of Members of the Senate for an independent agency for rural electrification. There is a greater expressed desire for no political control over the making of the loans, because the making of the loans is the very heart and substance of the REA program.

There are those of us who believe that the proliferation of independent agencies is not a desirable development in a great government such as ours. For years there has been an attempt to coordinate and consolidate agencies, rather than to have a proliferation or extension of them.

Therefore, Senate bill 144 is designed to do the following: To maintain within the Department of Agriculture an agency which not only is interested in kilowatts and loans, but also in the needs of the people of rural America. The bill concerns itself with the Rural Electrification Administration. Such a decision—as is well-known by the distinguished Presiding Officer [Mr. HARTKE], because he himself has given great attention to this matter—was made back in the 1930's, when the REA was getting its start. In 1939 it was incorporated in the Department of Agriculture, so it could become a fundamental part of the overall agricultural and social policy of the Nation. That worked well from 1939 to 1953.

I remind the Senate that in 1952 a reorganization plan was presented, by the then Truman administration, to give the same authority that the reorganization plan of 1953 gave. The Senate in its wisdom rejected the reorganization plan of 1952.

In 1953 the Senate, in what I believe to have been an unfortunate judgment, did not reject the reorganization plan of 1953.

I say most kindly and most respectfully that if anyone changed the rules, they were changed in 1953. It is not proposed that they be changed now. Our attempt is to reestablish at this time the rule that a presidentially appointed administrator—namely, the REA Administrator, who serves for 10 years, on a nonpartisan basis, for a term longer than any 2 terms of a President, and surely longer than the term of a Secretary of Agriculture; and the Administrator is a presidential appointee, whose nomination must be confirmed by the Senate—shall not have his authority diluted or negated by an appointee of the Secretary of Agriculture, an appointee not nominated by the President and not confirmed by the Senate.

The existing situation is that one Mr. Scott—and I refer to him by name, because currently he is the head of the Farm Credit Services of the Department of Agriculture, under the reorganization plan of 1953—presently has veto authority in the name of the Secretary of

Agriculture. Testimony to that effect is to be found in the record of the hearings before the Senate Committee on Government Operations. Mr. Scott—and no nomination of Mr. Scott ever was confirmed by the Senate, and he is not a presidential appointee, but, instead, he is a political appointee of the Secretary of Agriculture—can cast a negative vote upon a loan application that an REA Administrator approves.

The answer, of course, is that this has never happened. That is true. The Senator from Ohio was eminently correct when he stated there were no instances of interference on the part of the appointee of the Secretary. However, I think we should hear at least from the junior Senator from Indiana [Mr. HARTKE], who has made some reference to that particular situation, and it was also referred to by the Secretary.

What we are attempting to do here is to leave the loanmaking authority unrestrained, unrestricted, in the hands of the Administrator appointed by the President and confirmed by the Senate.

We are attempting to leave REA in the Department of Agriculture, so its orientation will be in agriculture, so the social policies which affect agriculture will likewise be somewhat concerned with the general policies relating to REA.

Our proposal is the middle ground. Senate bill 144 is not an extreme or radical proposal for the establishment of an independent agency. S. 144 is not a political fix of the Reorganization Act of 1953. S. 144 provides for a doctrine of independence in loanmaking policy.

I may say to my economy-minded friends that it provides for centralized purchasing, centralized personnel procedures, centralized travel procedures, which an independent agency would not follow. An independent agency would require separate purchasing, travel, auditing, and bookkeeping procedures. We preserve everything that needs to be preserved in the name of policy, and at the same time permit economizing in terms of administration.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. CAPEHART. With respect to Mr. Scott, whose name was mentioned by the Senator from Minnesota, it should be said that he is an appointee of the Secretary of Agriculture. The Secretary of Agriculture appointed Mr. Scott to coordinate the spending of money, not only in REA, but in all other functions of the Department of Agriculture. He is not a special appointee, particularly. What the Senator from Minnesota has said could also be said about any Assistant Secretary of Agriculture or any other employee of the Department, because they all report to the Secretary of Agriculture. Mr. Scott was simply an agent of the Secretary of Agriculture in checking into REA matters. He checked into many other matters. He has no particular authority. He cannot act upon his own responsibility without consulting the Secretary of Agriculture. He has no particular authority except that which is given to him by the Secretary of Agriculture.

Any department head or any Cabinet officer has the right, if he so wishes, to designate different employees within his organization to do certain work and to gather certain information for him. He can delegate authority, if he so desires. I think in this case the Secretary of Agriculture did that. What the Secretary of Agriculture was trying to do, as the testimony so well proved, was to make certain he saved some money and that there was coordination in spending of the money. What occurred took place at a time when there was an effort, which I am sure is still being made, to balance the budget and save money wherever it could be saved, without in anyway interfering with the REA.

A moment ago I placed in the RECORD a statement that the administration of the Department under Mr. Benson has spent by far more money for REA each year than was ever spent by any previous administration, and that more loans were made. There is no testimony that REA has been interfered with in any way whatsoever.

As the able Senator from Minnesota so ably explained, the proposal would take away from the Secretary of Agriculture the right to veto loans.

Mr. HUMPHREY. That is correct.

Mr. CAPEHART. Yet, as has been pointed out, money is appropriated directly to him. Only he can borrow money from the Treasury. He has to sign the notes. Yet when he gets the money, it is proposed that he have absolutely no authority over its disposition.

Nobody is trying to hurt the REA. But if any one should want to hurt the REA, all he would have to do would be to put the proposed reorganization into effect. In that event he could easily interfere with its functions, if the Director of the REA should refuse to cooperate. The Secretary of Agriculture could say, "I will not sign any notes for the Treasury, and I will not get any money from the Treasury for this purpose." Then the Director of the REA would be helpless. As I have said before, all that is being proposed here is a piece of spite legislation.

Mr. HUMPHREY. I say, most respectfully that this is not spite legislation. No one is accusing Mr. Benson, Mr. Scott, or Mr. Hamil of a single thing. As a matter of fact, the report of the committee is respectful in every way. I think it is wrong to try to insinuate that there is an attempt made to punish someone. The truth is that when Mr. Benson testified about Reorganization Plan No. 2 he said to the Senate Committee on Government Operations—and it was made a matter of record in the debate at the time of the consideration of Reorganization Plan No. 2 of 1953—that if there were any major change in the administrative establishment or structure of Rural Electrification Administration he would personally tell the proper committees of Congress in advance. That was never done. That word has never come. It is a matter of uncontested fact. The truth is the Secretary not only did not tell us, but after the change was made we were unable to get him to tes-

tify before the committee until the Congress had already adjourned.

The senior Senator from Indiana was quite right in saying that all we seek to do is merely to leave the loan-making authority, a function which was designed in the original act to be an independent one, not subject to political control. After all, that is why there is a 10-year term for an REA Administrator. The term of the Administrator is not commensurate with or equal to that of the Secretary or the President. The program is supposed to be one operated without political bias or political interference. The record reveals that the Director of Agricultural Credit Services—whether his name is Smith, Jones, or Scott, whatever his name is—has, in the name of the Secretary, authority to either approve or disapprove an REA loan.

Mr. HARTKE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield to the junior Senator from Indiana.

Mr. HARTKE. I thank the Senator for his tireless efforts in behalf of the REA. With all due respect to my senior colleague from Indiana [Mr. CAPEHART] and also the Senator from Ohio [Mr. LAUSCHE] I think the facts concerning the REA in Indiana should be made known. The truth of the matter is that somebody tried to change the rules in the middle of the game. They were attempted to be changed for political reasons in the State of Indiana. That is exactly why this particular bill should be passed.

The truth of the matter is that the loan was on file and then the Public Service Commission, in an unprecedented effort to stop this loan on behalf of certain interests who wanted to cripple the REA, made an administrative change and lobbied against the people of their own State. They practically put a veto power of their own on this application. After there was a possibility that the courts might not uphold that decision, they came to the REA Administrator and the Secretary of Agriculture in Washington, D.C. The loan would have been approved and made if there had been a nonpolitical effort.

This did not involve a question of politics for the people who were seeking help. All they wanted to do was to go ahead with their program.

Years ago, before the REA program began to take shape, there was less than 12 percent electrification in Indiana. Today it is more than 99½ percent.

Four of the seven agencies which have repaid their loans, in the entire United States of America, are located in the State of Indiana. The first REA electric pole was set in the State of Indiana. The Boone County REA program paid its loan first. Everyone of the REA programs in the State of Indiana has either paid its loan on time or ahead of time.

I do not see how in good conscience anybody could ever favor not returning to a program which was so successful for 14 years, with nonpolitical interference—no interference from Democrats or Republicans or from any subversive

element.' The purpose of the program is simply to give the people electricity.

I come from a town which had a problem as to electricity. I did not see electricity in my home until I was 10 years old. I remember the coal oil light. I remember the Aladdin lamp. I remember when electricity was put in my home. I for one appreciate what the REA has done for the rural folk.

For 14 years the program worked very well. Then the organization was changed, although the representation was made that there would not be a change in the administrative procedure or, if there were a change, the Secretary in good grace would inform Congress about it.

When I became a Member of the United States Senate, I went to the Senator from Minnesota [Mr. HUMPHREY] and said to him, "I am deeply moved; I want to join in the effort and in the attempt to take politics from the REA program and to place the program back in the hands of a nonpolitical administrator. I do not want to permit it to be placed in the political realm."

The situation was so bad during the last political campaign that the Governor, who was my opponent, reversed his position at the end of the campaign, when the public pressure became great and it was shown that he was attempting to put the REA into politics, although no one wanted that done.

Mr. CAPEHART. Mr. President, will the Senator from Minnesota yield?

Mr. HUMPHREY. I yield to the senior Senator from Indiana, because I am sure there must be some rejoinder he desires to make.

Mr. CAPEHART. Mr. President, I have been a member of the committee for some time, and I have been a Member of the Senate for 15 years. What my able colleague said about the position certain persons in the State of Indiana took is correct, but I wish to say as a matter of record that there is no connection between the reorganization proposal we are considering at the moment and the so-called Indiana loan.

The Administrator and the Secretary of Agriculture considered the Indiana loan. The loan application was filed. There was no evidence that anyone did anything other than to follow the law and to handle the loan the same as all other loans were handled. There is no connection at all between the proposed legislation and that particular loan.

We talk about taking this matter out of politics, but the President of the United States appoints the REA Administrator. The President also appoints the Secretary of Agriculture. Under those circumstances we cannot take this matter out of politics, because the President appoints those men. We could not take the matter out of politics by enacting this particular piece of proposed legislation. Would we get it out of politics by voting against the proposal? I do not believe so, because the matter is in politics, since the President appoints these men.

I think in all fairness we should say we would come as near to obtaining the

Indiana loan if we should leave the law exactly as it is as we would by adopting a reorganization proposal, because there is no real connection between the two whatsoever.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield to the Senator from Ohio.

Mr. LAUSCHE. The junior Senator from Indiana is absolutely correct in his description of some arguments which occurred in Indiana. The testimony discloses that. The testimony also discloses that the administration of REA had in no way interfered with the granting of the loan and was in no way a participant in what went on in Indiana. The Senator's description of what took place is accurate, as was stated by the senior Senator from Indiana [Mr. CAPEHART].

Mr. HARTKE and Mr. CARROLL addressed the Chair.

Mr. HUMPHREY. I shall yield first to the junior Senator from Indiana.

Mr. HARTKE. I should like to point out to my distinguished senior colleague from Indiana that we are very happy about the fact that the President has the power of appointment.

I think there is a fair distinction between the Secretary of Agriculture, who is appointed technically speaking, at least, at the pleasure of the President, and the REA Administrator, who is appointed for a term of 10 years. There is a considerable difference between the two. All I say is that I think a man who is appointed for 10 years can operate in a field in which he can be completely devoid of any political pressure of the moment.

I should like to point out that the Indiana loan is again being proposed by the REA people in the State of Indiana. It is now being processed. An endeavor is now being made to have the loan processed through the administration, and it is felt that political pressure is going to keep them from getting it. If there were no political pressure it is felt there would be no doubt the loan would be granted because, on the surface, it is a very difficult situation and there is an honest to goodness effort to help the people of the State of Indiana.

I wish to say that this is not partisan politics in the State of Indiana, because I have had Republican after Republican ask me to help in this matter. I refer to persons who have been interested in the affairs of the State, and who have helped to nominate and to elect Republican officials, yet they have come to me and asked me to help release the REA from the control which the present political system has upon it. They have asked me to help return the REA program to a strictly nonpartisan basis.

Mr. HUMPHREY. Mr. President, I now yield to the distinguished Senator from Colorado.

Mr. CARROLL. Before I ask the Senator a question, I wish to state that according to the statement on page 60 of the printed hearings, David Hamil, who is a Republican from Colorado, and an old friend of mine, who was appointed REA Administrator by the

President, confirmed by the Senate, and took office on June 26, 1956.

Mr. HUMPHREY. The Senator is correct.

Mr. CARROLL. I am trying to narrow this down a bit. It seems to me there is a very simple issue involved, if I am correct in my premise.

When the REA Administrator took office, what was the policy with reference to the making of loans? What was the Administrator's jurisdiction? What was his authority? What was his discretion?

Mr. HUMPHREY. There was complete discretion over the loans, because the reorganization plan ultimately went into effect in 1957. The authority was exercised by Mr. Scott.

Mr. CARROLL. The Senator from Minnesota in his remarks indicated there was a change in policy.

Mr. HUMPHREY. Yes.

Mr. CARROLL. What sort of a change in policy was there, and when did it take place?

Mr. HUMPHREY. I can give my recollection.

Mr. CARROLL. State it approximately. We do not have to pin ourselves down to exact dates. Was it subsequent to June of 1956?

Mr. HUMPHREY. It was June of 1957.

Mr. CARROLL. It was June of 1957?

Mr. HUMPHREY. I was trying to find the exact citation in the testimony. I am informed by the staff counsel it was June of 1957.

Mr. CARROLL. What was the change in policy with reference to the authority and the discretion of the REA Administrator?

Mr. HUMPHREY. It was that loans of \$500,000 or more must have the final approval of the Secretary and that new borrowers must have the final approval of the Secretary.

Mr. CARROLL. Did the Congress prescribe that policy?

Mr. HUMPHREY. It did not.

Mr. CARROLL. Who prescribed it?

Mr. HUMPHREY. It was prescribed by the Secretary. It was the view of Members of this body that such a fundamental change in policy was a matter which should have been at least discussed with the appropriate committees of the Congress.

Mr. CARROLL. When was that policy disclosed to the committees of the Congress? When was it first brought to our attention?

Mr. HUMPHREY. It was never brought to our attention. It was finally discovered—it was never brought to the attention of Congress officially.

Mr. CARROLL. Let me say to the Senator from Minnesota that the Denver Post, which is a Republican, independent newspaper at the very time the discussions and the debate took place on the floor of the Senate, editorialized and published news articles against the policy established by the Secretary of Agriculture, attempting to curb the jurisdiction, the authority, and the discretion of the REA Administrator.

As I understand the proposal before us, the distinguished Senator from Minnesota is attempting to correct and change that policy back to its original state.

Mr. HUMPHREY. That is correct; and to preserve unquestioned the authority of the Administrator. There was discussion, doubt, and debate as to whether or not the Secretary of Agriculture, under the Reorganization Act of 1939, had veto authority if he wished to exercise it. There was a ruling to that effect. Therefore we have made it crystal clear in Senate bill 144, the plan which is now before the Senate, that the loan-making authority shall be entirely in the hands of a presidential appointee whose nomination is confirmed by the Senate for a 10-year term; namely, the nonpartisan REA Administrator.

Mr. CARROLL. Let me summarize by asking this question: If the pending bill is passed, shall we be restoring the authority in the REA Administrator to the status which existed on June 26, 1956, when his nomination was confirmed by the Senate?

Mr. HUMPHREY. We will restore it as it existed in 1935 and 1936, when REA was established, when the Administrator had complete jurisdiction over all the loanmaking authority.

I say, most respectfully, to the Senator from Colorado that the loanmaking authority was respected under the Reorganization act of 1939, so far as actual usage was concerned. However, in terms of the legal authority of the Secretary, if he wished to exercise it, there were honest differences as to whether the Secretary had the authority to veto if he wished to do so, or whether he was denied the veto right.

We have clarified the situation in our bill. We say, first, that the powers of general supervision, for housekeeping purposes, for accounting purposes, for budgetary purposes, and for personnel purposes, rest in the Secretary of Agriculture and the Department of Agriculture; but the power of loanmaking, which was in the original REA act, the power to grant or disapprove loans, rests solely and unqualifiedly in the Administrator.

Mr. CARROLL. Let me ask one final question. Are those who have most to do with the rural electrification program supporting the bill? What position do the cooperatives and the farmers themselves take with reference to the proposed legislation?

Mr. HUMPHREY. They support it. The most recent conference of the National Rural Electric Cooperative Association, meeting at Washington, D.C., in the month of February 1959, supported the bill and the proposals before us at the present time.

Mr. CARROLL. I thank the Senator from Minnesota.

Mr. LAUSCHE. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. LAUSCHE. I am sure the Senator from Minnesota will agree with what I was saying in trying to explain to the Senator from Colorado the status of the

law in 1953. The law enacted in 1953 provided as follows:

SECTION 1. Transfer of functions to the Secretary: (a) Subject to the exceptions specified in subsection (b) of this section, there are hereby transferred to the Secretary of Agriculture all functions not now vested in him of all other officers, and of all agencies and employees, of the Department of Agriculture.

That provision gave the Secretary complete supervision and control over the functions of his entire Department. However, as the Senator from Minnesota has said, there was some understanding that if there was to be a change in policy, some disclosure would be made to the committee.

Mr. CARROLL. And the Congress would be notified.

Mr. HUMPHREY. That is correct.

Mr. LAUSCHE. But the law is clear, that the Secretary was vested with full authority and power at the time.

Mr. HUMPHREY. That is correct; but the fact is that none of the authority under the law had been exercised. However, the residual power existed. We now propose to clarify the situation by making it clear that the original REA Act, which provided for an Administrator having authority over loanmaking functions shall be restored, and that the administration shall be independent and autonomous within the Department.

Mr. YARBOROUGH. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. YARBOROUGH. I commend the distinguished senior Senator from Minnesota for his leadership. He is the principal author and the leader in this movement to protect the REA; I have the honor of being a coauthor of S. 144 with the distinguished Senator from Minnesota.

As I pointed out in my statement before the committee, at the time the REA Act of 1936 was passed, only 2.3 percent of the farms in my State had electric power; but under the beneficent influence of that act, at the present time more than 95 percent of the farms in my State have electric power. We have more family-sized, family-type farms in my State than there are in any other State of the Union. There are more REA connections and users in my State than in any other State.

The people are vitally interested in this question. In the legislative history of the Nation few acts have proved to be as beneficial to as many people, with as little cost to the Government, as the REA Act. It is one of the most beneficial pieces of legislation the country has ever seen.

The program worked well until a change was slipped over in the reorganization bill, in a so-called efficiency reorganization. Ezra Taft Benson, as Secretary of Agriculture, began to get his thumb on the neck of REA, as he has placed it on the neck of practically every other family-type operation in the agricultural economy.

Thanks to those who first enacted the law, darkness has been eliminated from farm life, and a great deal of drudgery has been lifted from the farm.

The REA operates under the Lincolnian concept that it is the duty of the Government to help the people to do that which they cannot do for themselves, or cannot do as well.

The REA program is good government. The purpose of the program shows how good government can be employed to help the American people in their pursuit of happiness.

The pending measure is designed to protect the REA program from those who would, accidentally or intentionally, do violence to that program. The pending bill, if enacted into law, will make certain that the program cannot be curtailed or crippled by the Secretary of Agriculture exercising authority unwisely.

As I understand, it is proposed merely to reaffirm the statutory authority of the Administrator of the REA to grant REA loans. We shall now be restoring to the Administrator the authority which was used by the Secretary of Agriculture a year ago.

Mr. HUMPHREY. Mr. President, I wish to be most fair. We are proposing to reaffirm the statutory authority of the REA Administrator to grant loans. I believe that the colloquy has revealed that the residual authority of the Secretary under the Reorganization Act of 1939, to have general control over the REA, will remain. However, we are making it crystal clear that the authority over loan making shall be independent.

I have not attempted to abuse Mr. Benson, or to make a partisan issue out of this question. All I have attempted to do is to say that what we are proposing is sound administration.

We are attempting to do two things—first, to restore the loanmaking function to the REA Administrator, without qualification; second, to maintain in the Department of Agriculture, for centralized administrative purposes, the Rural Electrification Administration.

Mr. YARBOROUGH. I thank the Senator from Minnesota. It is true that the power was not illegally used. The residual power existed, but it had not been exercised by the Secretary. Is that correct?

Mr. HUMPHREY. The Senator is correct.

Mr. YARBOROUGH. It was not illegally seized, but it had not been used.

Mr. HUMPHREY. It had not been exercised.

Mr. YARBOROUGH. If the pending bill is passed, the REA program will be administered by the people, as was originally intended, and as was done for years, until the current administration decided to hamstring the program by having the Secretary of Agriculture take over power from the Administrator.

Mr. HUMPHREY. The Senator is correct.

Mr. YARBOROUGH. I think the Senate has seldom had an opportunity to pass a measure which would be so constructive, with so little cost to the Government of the United States. This proposal would leave in the Administrator of the REA the power to pass on loans.

Mr. HUMPHREY. The Senator is correct.

Mr. YARBOROUGH. And there would be no appellate power in the Secretary of Agriculture.

Mr. HUMPHREY. The Senator is correct.

Mr. YARBOROUGH. We often debate the question of how much money we shall spend in connection with certain measures. Often we are doubtful whether a proposed solution would be a wise solution. Is it not true that the wisdom of this measure has already been proved by the administration of the law from 1936 to 1953?

Mr. HUMPHREY. It is my considered judgment that that is absolutely a fact. From 1936 to 1953 we got along very well. I think there is no evidence that we are not getting along well now. However, I, for one, object to the appointee of a Secretary, whoever the Secretary may be, having superior authority over a Presidential appointee under a basic law such as the REA Act of 1936, when the nomination of the such appointee does not come before the Senate for confirmation.

Mr. YARBOROUGH. I believe we are acting here to protect and perpetuate one of the great programs in American history.

Mr. HUMPHREY. I thank the Senator from Texas, whose cooperation I deeply appreciate. I now yield to my friend and colleague, the Senator from Florida.

Mr. HOLLAND. Mr. President, I appreciate the action of the Senator from Minnesota in yielding to me. I also appreciate greatly the fact that he has handled this subject on the floor without casting aspersions either on the present Secretary of Agriculture or on any of his agents.

Mr. President, this is not a personal matter. It should be handled impersonally and objectively and with full knowledge of the fact that Congress shares some of the responsibility in this situation.

Mr. HUMPHREY. The Senator is right.

Mr. HOLLAND. I have before me Reorganization Plan No. 2 of 1953, which really brought on the trouble and disagreement which are responsible, I believe, for the present proposed legislation and for the amendment offered by the Senators from Nebraska and Georgia.

The Senator from Ohio [Mr. LAUSCHE] has already read one section from that unfortunate reorganization plan. I may say, in passing, that I opposed it vigorously when it was before the Senate. Other Senators also opposed it. However, the Senate refused to cast the requisite vote to reject that reorganization plan. Let us not get away from the fact that the Senate has some responsibility in this matter. The first section reads as follows:

SECTION 1. Transfer of functions to the Secretary: (a) Subject to the exceptions specified in subsection (b) of this section, there are hereby transferred to the Secretary of Agriculture all functions not now vested in him of all other officers, and of all agencies and employees, of the Department of Agriculture.

I may say that subsection (b), which covers the exceptions, does not cover the REA.

Mr. President, I opposed the approval of the reorganization plan which contains that as its first provision. The Senate refused to disapprove that reorganization plan. The reorganization plan in effect gives to the Secretary of Agriculture—and I do not refer only to the present Secretary of Agriculture, but to all Secretaries of Agriculture so long as this reorganization plan is a part of the law of the land—the authority to exercise any power ever given to any of the agencies in the Department of Agriculture, and to any officer in the Department of Agriculture. There are a few which are excepted in a later subsection.

Then the reorganization plan contains section 4, which reads as follows:

Sec. 4. Delegation of functions: (a) The Secretary of Agriculture may from time to time make such provisions as he shall deem appropriate authorizing the performance by any other officer, or by any agency or employee, of the Department of Agriculture of any function of the Secretary, including any function transferred to the Secretary by the provisions of this reorganization plan.

Mr. President, if we had tried for 10 years we could not have written a provision which gave more fully to the Secretary of the Department the power to transfer any function to anyone he saw fit.

I am glad—and I think there are many others who believe as I do—that these provisions have not done violence to the REA. I judge, from the very temperate and moderate position of the Senator from Minnesota, which I fully approve, that he also believes that to be the fact.

Mr. President, although I believe something should be done about this unfortunate situation, I shall oppose the amendment offered by the Senator from Nebraska [Mr. CURTIS] because, in my opinion, it would do great harm to the REA program.

The REA program necessarily has at heart the welfare of the agricultural segment of the Nation. When we seek to divorce that program from the Department of Agriculture, where it belongs, and where it has served the interests of the rural population, we attempt to take it out of its proper place and put it where it will be unbefriended and unsheltered by the sturdy wings of the mother hen, the Department of Agriculture, which is safeguarding all agricultural rights throughout the Nation, and whose function it is to do so.

I strongly oppose making the REA a completely independent agency. I voiced that opposition in the hearing recently attended by the Senator from Minnesota in the Committee on Agriculture and Forestry, and before the subcommittee of which I am the chairman. At that time I called the attention of the Senator from Nebraska to the fact that under his bill as then drafted he would take REA away from the Department of Agriculture and take it away from the subcommittee on appropriations which handles appropriations for the Depart-

ment of Agriculture. I cited an illustration of what had happened recently in another field.

By offering an amendment to his bill, he in effect says that although he would make an independent agency of the REA, he would leave it in the legislative committee and in the appropriations subcommittee where it should be left.

In admitting that much, I believe he is admitting himself out of court, because he admits what to me is the potent fact that this very important agency—important more to agriculture than to any other segment of our economy—should certainly be left in the Department of Agriculture, where it may have the benefit of the advisory committee of the Secretary of Agriculture which represents the Nation's farmers, and of the whole set-up of the Department of Agriculture, which works for the benefit of the Nation's farmers, from morn to night, 365 days a year.

I commend the Senator from Minnesota for his moderate approach, and I regret that any Senator should consider the measure as being motivated in any way by personal resentment to our present Secretary of Agriculture or any of his agents.

I do not believe anyone can accuse me of being hostile to the present Secretary of Agriculture. I have supported him sometimes when a majority of his own party did not support him. I have not hesitated to support him when I thought he was right, and that has been most of the time. I believe that anyone who believes that the reorganization plan, from which I have read a part, can continue to be the law and leave the Department of Agriculture in a sound position, is wrong, or has not read the reorganization plan. It is the most vicious thing of its type we have ever adopted.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. HOLLAND. I yield.

Mr. AIKEN. Does not the Senator believe that we would be setting a dangerous precedent by moving REA out of the Department of Agriculture, because certainly there would then be attempts made to take other functions away from the Department of Agriculture? We might even expect an effort to take the administration of Public Law 480 away from the Department of Agriculture and repose its administration in an independent agency or put it in another department of the Government. The Senator knows what that would do to agricultural sales.

Mr. HOLLAND. That certainly would be possible. I am glad the Senator from Vermont has mentioned that point.

Mr. AIKEN. I may say that normally I would like to be able to vote for the proposal of the Senator from Minnesota, but when we come right down to it, all the proposal says is "We do not like Ezra Taft Benson."

Mr. HUMPHREY. I should like to say most respectfully—and the Senator from Vermont knows that I have on many occasions demonstrated my sharp difference of opinion with the Secretary of Agriculture—that I am not engaging in that kind of contest. The best argu-

ment which has been made for my proposal has been made by the Senator from Florida [Mr. HOLLAND], who has referred to what is not alone the mistake of the Secretary of Agriculture, but the mistake also of Congress when it permitted the reorganization plan to be adopted. Some of us had doubts about it then. Others had some doubts later, because this plan was tried in two administrations, first during the last year of the Democratic Truman administration, and then during the first year of the Republican administration.

That is the only partisan reference I am making here. I think the delegation of functions which is in the reorganization plan of 1953 lends itself, if left on the books, to further abuse. I do not make any accusations. Not a word can be found in what I have said in the report of the committee, for which I have some responsibility, or in my speech on the floor of the Senate which attempts to accuse the Secretary of Agriculture or anyone else of malfeasance of office or any kind of maladministration. All I am saying is that it is bad administrative structure. I think the time to correct it is now.

Mr. AIKEN. I accept the Senator's explanation of his devotion to the Secretary of Agriculture.

Mr. HUMPHREY. I thank the Senator from Vermont for including me in the very limited membership of this club.

Mr. HOLLAND. Mr. President, I hope the Senator from Vermont will feel that I have shown considerable fondness for the Secretary of Agriculture, both personally and by my votes and statements on the floor of the Senate. But whether the Senator from Vermont feels that way or not—and I believe he does—I think he knows that in this matter I am following a course which I established way back in the administration of President Truman.

At that time, substantially the same reorganization plan came before the Senate. I see in the Chamber the distinguished senior Senator from Kansas [Mr. SCHOEPPEL]. He and I decided that the plan was bad. We fought against it, and enough of the Senate stood with us to knock the plan down.

Later it came up in the first bloom and blush of the new administration. Some of our friends, who had stood with us before, decided it was not so bad as they thought it was earlier. I see some of those good friends here. But all of us make mistakes. We could not muster the vote the second time which we had the first time. If we had we would not now be struggling with this problem.

The point I am making is that I think it completely unrealistic, completely unfair, and completely unfriendly to the REA, and the millions of people who have been so blessed by it, to divorce it from the Department of Agriculture just at the time when the REA is becoming so strong that there will be more questions from now on as to whether it is competing with private power. It would be the unfriendliest thing that could be done to divorce it from the Department of Agriculture, its natural friend and

shelterer, and to place it out in the cold, cruel world as an independent agency, where it would share the fate of some of the other independent agencies which have to fight to get anything at any time.

I am thinking of another public power agency—the TVA. Compare the friendly attitude of so many Senators toward REA with the questioning, if not suspicious, attitude which some of those Senators show toward TVA. I think Senators will concede that I have a valid point which deserves their thoughtful consideration.

I hope the amendment will be rejected.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the Senate may proceed to vote in 15 minutes from now, and that 10 minutes be allotted to the Senator from Illinois (Mr. DIRKSEN), with 5 minutes to be controlled by the Senator from Minnesota (Mr. HUMPHREY).

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. DIRKSEN. Mr. President, it seems to me that a good many non-germane matters have been discussed in connection with the pending bill. The only thing involved is whether the Secretary of Agriculture, who holds the top post in one of the largest departments of the Government, shall have a little something to say about the activities and functions of a subordinate agency in his department.

After listening to the discussion, I think we should send Ezra Benson a letter saying: "Dear Ezra: We are going to leave the baby in your tender hands. You provide the room and board and all the other things which are necessary. But if the baby gets a little spunky, if it needs a little discipline or a little conduct, do not put your hands on the baby, because we are saying in the bill before us that you shall have no authority to supervise, direct, or control anything with respect to the approval or disapproval of the loans made by your subordinate baby."

Frankly, the Senate has an astonishing proposal before it. I think the Senate will rue the day it ever enacted the bill, assuming it may become law. First of all, if we look through the hearings, it is the beneficiaries of the credit and the money of the people who are asking less supervision rather than more. I think that is one of the most astounding things I have ever seen or heard advanced in the Senate.

The point is made on the other side of the aisle that the Secretary of Agriculture is a Presidential appointee, while the Administrator of REA holds a 10-year job. That very fact argues against the bill, because the Secretary cannot discipline the Administrator of REA. The Secretary cannot remove him. If the Administrator is weak, the trail will lead right to the White House. Then there will be confusion compounded.

The REA is growing. It has probably \$3 billion in unpaid balances today.

It seems to me that we would be doing the REA a favor by providing for it a little more supervision, rather than less, and not concentrating the supervision in

the hands of a single person. I cannot imagine that any business enterprise anywhere in the country would follow the line of reasoning which has been advanced on the Senate floor. Try to imagine General Motors Corp., with the Frigidaire Corp. as a component, and with the president or the chairman of the board of the Frigidaire Corp. saying, "We are within the General Motors fold, but only up to a limited degree. Beyond that do not interfere; we will run our own show." But that is exactly what Senators propose in this case. If that is good business sense, certainly I have never known such a thing to be proposed in business.

No one on this floor has ever contended that Mr. Hamil, the REA Administrator, does not have a good record. Even the chairman of the committee will admit that Mr. Hamil has a good record.

It must be admitted that the REA's record in the past 6 years is the best in the entire history of that agency.

I was a Member of the House of Representatives when the REA was created; and I would say to my distinguished friend, the junior Senator from Indiana [Mr. HARTKE], that I was here when I made a Hoosier by the name of Claude Wickard, who was then the Secretary of Agriculture, investigate the REA; and I got the Deputy Administrator fired, before I got through. The record is here; that was in March 1941. It was "a rough go", and it took a rather long time. But Senators should not think that there have not been some difficulties there, as elsewhere. I have lived through this for a long period of time.

Everything in the field of good business tactics, everything in the field of proper governmental supervision and surveillance, argues that when there is such a \$3 billion corporation, there should be some supervision, some direction, some authority in the hands of the Secretary of Agriculture, in whose department this agency is located. There could be a weak Administrator; but let us not forget that any Administrator of the REA will serve for 10 years. The Administrator might be weak in the whole loaning field; he might be weak in the administrative field. But under the present proposal the Secretary of Agriculture—whoever he may be, whether Henry Wallace, or Claude Wickard, or Ezra Benson, or anyone else—will never be able to remove him.

It seems to me that under those circumstances, if there were no recourse but to go to the top boss at 1600 Pennsylvania Avenue, we would have some trouble on our hands before we got through.

I am not going to play ducks and drakes in such a careless fashion with \$3 billion of the people's money. If the REA is to continue to make progress, it requires careful supervision on the part of the Federal Government. And the proper supervisor should be the Secretary of Agriculture.

At the present time the technique is scarcely even to look at an REA loan application for less than \$1 million. Only loan applications for larger amounts and the new telephone loan

applications are looked at, for all practical purposes. I am advised from the Department of Agriculture that that has been the technique for quite some time.

So, when \$3 billion of public credit is involved—money and credit which belong to the people of the United States, not only to those in the farming areas, but also to those in all the other areas of the country in which taxpayers live—I think the Senate has the responsibility to make sure that there is adequate supervision, because in proportion as we give attention to the REA, it will grow and will become an effective instrumentality for taking the country out of darkness.

Yet at this time, when we clamor, in respect to every other field, for more supervision, it is proposed by this means to destroy such supervision in this instance. I cannot imagine a greater step backward.

Mr. President, the sensible thing for the Senate to do tonight is to send the bill back to the committee, under a motion to recommit. I hope the Senator from Indiana, who is a member of the Committee on Government Operations, will soon return to the floor and will make such a motion. If he does not make it, I will, for I think that is where the bill should go. I will not vote to take a backward step and, by that vote, undertake to hurt future confidence in the REA, because that is what the action now proposed will add up to, before we get through.

Mr. President, I think that is the entire story, so far as I am concerned; and I am prepared to vote on the amendment in the nature of a substitute, and also for a motion to recommit.

The amendment in the nature of a substitute would again make this agency an independent one. I was a Member of the House of Representatives when the REA was created as an independent agency. Three years later it was placed under the Department of Agriculture. Then, in 1953, under a Reorganization Act, the Congress gave the Secretary of Agriculture the additional supervisory functions. Contrary to expressions made on the floor, I think that was a wise course; and evidently the Senate thought likewise, because that action only adds to adequate supervision of the handling of billions of dollars of the taxpayers' money—money which does not belong to the Federal Treasury or to the REA, but belongs to all the people of the United States; and we are co-stewards, to make sure that the money is well and wisely administered.

Mr. President, that is my case.

Mr. BENNETT addressed the Chair.

The PRESIDING OFFICER (Mr. HART in the chair). The Senator from Illinois has 2 minutes remaining under his control.

Mr. BENNETT. Mr. President, will the Senator from Illinois yield 2 minutes to me?

Mr. DIRKSEN. Mr. President, I yield 2 minutes to the Senator from Utah.

The PRESIDING OFFICER. The Senator from Utah is recognized for 2 minutes.

Mr. BENNETT. Mr. President, with respect to the pending bill, I have only

one observation to make: After listening to the very wise counsel and approach of the Senator from Florida [Mr. HOL- LAND], I believe that if the Senator from Florida really wants to undo what was done in 1953, he should move that it be undone in its entirety, and should not limit the action to the REA. Instead, he should move to take away whatever authority the Secretary of Agriculture received by means of that program.

It seems to me that in this case we are dealing with two different things.

Mr. DIRKSEN. Mr. President, I ask unanimous consent that the distinguished Senator from Nebraska [Mr. CURTIS], the author of the pending amendment in the nature of a substitute, be allowed 2 minutes in which to discuss the substitute.

Mr. JOHNSON of Texas. Mr. President, I agree to that request.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Illinois? Without objection, it is so ordered; and the Senator from Nebraska is recognized for 2 minutes.

Mr. CURTIS. Mr. President, I thank both the distinguished minority leader and the distinguished majority leader.

I wish to have the attention of Senators who will oppose the pending bill, on the question of its final passage, and who believe nothing should be done. I also wish to have the attention of Senators who believe that the Congress should legislate in this field. I ask all of them to read Senate bill 144, and then try to determine who will run the REA if that bill is enacted into law.

The bill contains only 15 lines. It provides, in substance, that the functions and activities of the REA shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture. Then the bill takes away from the Secretary of Agriculture any authority over either the approval or disapproval of the loans. But there is the odd provision that only the Secretary of Agriculture can borrow money from the Secretary of the Treasury.

So, if the bill is enacted into law, it will mean that if at a later time the Secretary of Agriculture and the REA Administrator disagree with each other, the Secretary of Agriculture can still withhold the necessary funds. I do not believe the proponents intend that to be done; but that legislative confusion would then exist.

As to the amendment in the nature of a substitute, which I have submitted on behalf of myself and the distinguished senior Senator from Georgia [Mr. RUSSELL], it establishes an independent agency, and provides that the Administrator shall have direction, supervision, and control of the REA and all its operations and functions, as authorized in the REA Act of 1936, as amended; and it retains jurisdiction in the same committees which now have jurisdiction.

Mr. President, I appeal to Senators who are opposed to doing anything in this case: Let us perfect the bill, and not create confusion.

To Senators who believe some legislation in this field should be enacted—

and let me say that I respect both groups—I say that certainly the Senate should not pass Senate bill 144 as it now stands, because it will not do what its authors intend it to do. No one who reads the amendment in the nature of a substitute can have any doubt as to who will run the REA if the amendment in the nature of a substitute becomes law.

The REA was an independent agency from 1935 to 1939.

I remind the Senate that on January 6, 1945, Senator Lucas introduced a bill, S. 89, that reestablished it as an independent agency, and the bill passed this body unanimously, without a record vote.

The PRESIDING OFFICER (Mr. HART in the chair). The time of the Senator has expired.

Mr. HUMPHREY. Mr. President, I yield myself 1 minute.

The purpose of the bill is simply to do two things: to take up that part of the history of the REA from 1935 to 1939 in which the independence of REA in respect to loanmaking was established, and to keep the reorganization plan of 1939, for the purpose of administration, intact, thereby providing for the REA to be within the Department of Agriculture.

Mr. JOHNSON of Texas. Mr. President, as I understand, all time on the amendment has been yielded back or consumed. Is that correct?

The PRESIDING OFFICER. That is correct.

Mr. JOHNSON of Texas. I ask unanimous consent that there be a quorum call, without the time being charged to either side. The Senator from Indiana [Mr. CAPEHART] has indicated that after the Senate acts on the amendment, he wishes to make a motion to recommit. When the Senate acts on that motion, I understand it will proceed to act on the committee amendment and the bill.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas that there be a quorum call without the time being charged to either side? The Chair hears none, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CURTIS. Mr. President, I ask for the yeas and nays on the pending amendment.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Nebraska [Mr. CURTIS] for himself and the Senator from Georgia [Mr. RUSSELL] as a substitute for the committee amendment. The yeas and nays having been ordered, the clerk will call the roll.

The legislative clerk called the roll.

Mr. HENNING. I announce that the Senator from New Mexico [Mr. CHAVEZ], the Senator from Rhode Island [Mr. GREEN], the Senator from Alaska [Mr. GRUENING], the Senator from Montana [Mr. MANSFIELD], the Senator from Wyoming [Mr. MCGEE], the Senator from Oklahoma [Mr. MONROE], and

the Senator from Montana [Mr. MURRAY] are absent on official business.

I also announce that the Senator from Washington [Mr. MAGNUSON] because of illness and that the Senator from Virginia [Mr. BYRD] is absent because of illness in his family.

I further announce that, if present and voting, the Senator from New Mexico [Mr. CHAVEZ], the Senator from Rhode Island [Mr. GREEN], the Senator from Alaska [Mr. GRUENING], the Senator from Washington [Mr. MAGNUSON], the Senator from Montana [Mr. MANSFIELD], the Senator from Wyoming [Mr. McGEE], the Senator from Oklahoma [Mr. MONRONEY], and the Senator from Montana [Mr. MURRAY] would each vote "nay."

Mr. KUCHEL. I announce that the Senator from Maryland [Mr. BUTLER] is absent on official business for the Committee of Interstate and Foreign Commerce.

The Senator from Kentucky [Mr. COOPER] is absent on official business.

The result was announced—yeas 13, nays 74, as follows:

YEAS—13		
Capehart	Hickenlooper	Talmadge
Case, S. Dak.	Hruska	Thurmond
Cotton	Lausche	Wiley
Curtis	Russell	
Goldwater	Schoeppel	

NAYS—74		
Aiken	Fulbright	Morse
Allott	Gore	Morton
Anderson	Hart	Moss
Bartlett	Hartke	Mundt
Beall	Hayden	Muskie
Bennett	Hennings	Neuberger
Bible	Hill	O'Mahoney
Bridges	Holland	Pastore
Bush	Humphrey	Prouty
Byrd, W. Va.	Jackson	Proxmire
Cannon	Javits	Randolph
Carlson	Johnson, Tex.	Robertson
Carroll	Johnston, S.C.	Saltonstall
Case, N.J.	Jordan	Scott
Church	Keating	Smathers
Clark	Kefauver	Smith
Dirksen	Kennedy	Sparkman
Dodd	Kerr	Stennis
Douglas	Kuchel	Symington
Dworshak	Langer	Williams, N.J.
Eastland	Long	Williams, Del.
Ellender	McCarthy	Yarborough
Engle	McClellan	Young, N. Dak.
Ervin	McNamara	Young, Ohio
Frear	Martin	

NOT VOTING—11		
Butler	Green	McGee
Byrd, Va.	Gruening	Monroney
Chavez	Magnuson	Murray
Cooper	Mansfield	

So the Curtis-Russell amendment in the nature of a substitute, offered by Mr. CURTIS, for himself and Mr. RUSSELL, was rejected.

Mr. HUMPHREY. Mr. President, I move that the vote by which the Curtis-Russell amendment in the nature of a substitute was rejected be reconsidered.

Mr. JOHNSON of Texas. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on the motion of the Senator from Texas.

The motion to reconsider was laid on the table.

Mr. HUMPHREY. Mr. President, may we now proceed to the next motion?

The PRESIDING OFFICER. As the Chair understands, there is a previous order that the Senate now proceed im-

mediately to consider a motion to recommit the bill.

Mr. CAPEHART. Mr. President, I move that the bill be recommitted to the Committee on Government Operations, and I ask for a division on that motion.

On a division, the motion was rejected.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment in the nature of a substitute.

The amendment was agreed to.

The PRESIDING OFFICER. The question now is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, and read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

Mr. HUMPHREY. Mr. President, I ask for the yeas and nays on final passage of the bill.

The yeas and nays were ordered.

Mr. MUNDT. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. MUNDT. Has all time for debate expired?

The PRESIDING OFFICER. All time for debate has expired.

The question is, Shall the bill pass? On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. HENNINGS. I announce that the Senator from New Mexico [Mr. CHAVEZ], the Senator from Rhode Island [Mr. GREEN], the Senator from Alaska [Mr. GRUENING], the Senator from Montana [Mr. MANSFIELD], the Senator from Wyoming [Mr. McGEE], the Senator from Oklahoma [Mr. MONRONEY], and the Senator from Montana [Mr. MURRAY] are absent on official business.

I also announce that the Senator from Washington [Mr. MAGNUSON] is absent because of illness, and that the Senator from Virginia [Mr. BYRD] is absent because of illness in his family.

I further announce that, if present and voting, the Senator from New Mexico [Mr. CHAVEZ], the Senator from Rhode Island [Mr. GREEN], the Senator from Alaska [Mr. GRUENING], the Senator from Washington [Mr. MAGNUSON], the Senator from Montana [Mr. MANSFIELD], the Senator from Wyoming [Mr. McGEE], the Senator from Oklahoma [Mr. MONRONEY], and the Senator from Montana [Mr. MURRAY] would each vote "yea."

Mr. KUCHEL. I announce that the Senator from Maryland [Mr. BUTLER] is absent on official business for the Committee on Interstate and Foreign Commerce.

The Senator from Kentucky [Mr. COOPER] is absent on official business.

The result was announced—yeas 60, nays 27, as follows:

YEAS—60		
Bartlett	Case, S. Dak.	Douglas
Bible	Church	Dworshak
Byrd, W. Va.	Clark	Eastland
Cannon	Curtis	Ellender
Carroll	Dodd	Engle

Ervin	Kefauver	Proxmire
Frear	Kennedy	Randolph
Fulbright	Kerr	Robertson
Gore	Langer	Russell
Hart	Long	Smathers
Hartke	McCarthy	Sparkman
Hayden	McClellan	Stennis
Hennings	McNamara	Symington
Hill	Morse	Talmadge
Holland	Moss	Thurmond
Humphrey	Mundt	Wiley
Jackson	Muskie	Williams, N.J.
Johnson, Tex.	Neuberger	Yarborough
Johnston, S.C.	O'Mahoney	Young, N. Dak.
Jordan	Pastore	Young, Ohio

NAYS—27

Aiken	Case, N.J.	Lausche
Allott	Cotton	Martin
Anderson	Dirksen	Morton
Beall	Goldwater	Prouty
Bennett	Hickenlooper	Saltonstall
Bridges	Hruska	Schoeppel
Bush	Javits	Scott
Capehart	Keating	Smith
Carlson	Kuchel	Williams, Del.

NOT VOTING—11

Butler	Green	McGee
Byrd, Va.	Gruening	Monroney
Chavez	Magnuson	Murray
Cooper	Mansfield	

So the bill (S. 144) was passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the functions and activities of the Rural Electrification Administration and the Administrator of the Rural Electrification Administration which were transferred to the Department of Agriculture and to the Secretary of Agriculture by Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953 are hereby transferred to the Administrator of the Rural Electrification Administration, and shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture; except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture.

The title was amended, so as to read: "A bill to modify Reorganization Plan No. 2 of 1939 and Reorganization Plan No. 2 of 1953."

Mr. HUMPHREY. Mr. President, I move that the Senate reconsider the vote by which the bill was passed.

Mr. MORSE. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on the motion of the Senator from Oregon.

The motion to reconsider was laid on the table.

Mr. AIKEN. Mr. President, the Senate has passed a bill which, while it does not do any great harm, does not do any good for the REA, and is virtually meaningless so far as the operation of the REA program is concerned.

On January 14, 13 other Senators and I submitted a resolution, Senate Resolution 21, which is of very vital importance to the future of the REA. I ask unanimous consent to have the text of the resolution, together with a list of the sponsors, printed in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

SENATE RESOLUTION 21

Mr. AIKEN (for himself, Mr. KUCHEL, Mr. HUMPHREY, Mr. SPARKMAN, Mr. KENNEDY, Mr. YOUNG of North Dakota, Mr. COOPER, Mr. MANSFIELD, Mr. HILL, Mr. HENNINGS, Mr. CURTIS, Mr. MURRAY, Mr. LANGER, and Mr. CLARK) submitted the following resolution; which was referred to the Committee on Agriculture and Forestry:

"Whereas the Comptroller General of the United States in decisions (B-134138) dated July 21, 1958, and October 15, 1958, in questioning the validity of a portion of a loan made by the Rural Electrification Administration to the Central Iowa Power Cooperative, Cedar Rapids, Iowa, interpreted the Rural Electrification Act, in the first decision, as not authorizing loans for service to persons who are actually without central-station service if they are located in an area generally served by a power supplier; and, in the second decision, as not authorizing loans to serve persons, in fact without service, if they are located "on", "along side of", or "within a reasonable distance" of a line of a power supplier; and

"Whereas the Acting Secretary of Agriculture, in a letter dated August 7, 1958, to the Comptroller General, requested reconsideration of the first decision because it was inconsistent with the express provisions of the Rural Electrification Act, its legislative history, congressional understanding, uniform administrative practice, and legal interpretations and opinions during the 22 years following enactment of the Rural Electrification Act and, by letter dated October 29, 1958 informed the Comptroller General that these objections were equally applicable to the interpretation of the Rural Electrification Act expressed in the second decision and could therefore not be agreed to; and

"Whereas the interpretation of the Rural Electrification Act proposed by the Comptroller General in either of his decisions, if it had been applied to the rural electrification program from its inception, would have prevented that program's great contributions to agriculture and the rural areas of the Nation and to the national economy generally and, if now applied, would drastically curtail the future great potential of the rural electrification program: Now, therefore, be it

"Resolved, That it is the sense of the Senate that the Rural Electrification Act of 1936, as amended, continue to be interpreted to authorize the making of loans for the construction of facilities to bring electric service to persons who are in fact not receiving central-station service, and to continue to serve those who are presently being served, in accordance with the Acting Secretary of Agriculture's letters of August 7, 1958, and October 29, 1958, to the Comptroller General, and that the proposed limitation on the authority of the Rural Electrification Administration introduced in the Comptroller General's decisions of July 21, 1958, and October 15, 1958, be rejected as contrary to the clear intent of the Congress."

Mr. AIKEN. Mr. President, at this point I express the hope that the leadership of the Senate will work as hard and earnestly for the adoption of this vital resolution as they have worked to pass the bill which the Senate has just passed, and which, in my opinion, means very little, if anything.

Mr. HUMPHREY. I should like to say to the distinguished Senator from Vermont, inasmuch as I am a cosponsor of the resolution to which he has referred, that I pledge to him the same kind of zeal, energy and, I hope, effective work as was indicated in the recent vote. I be-

lieve that both of these measures are important. The Senator from Vermont can be assured of my cooperation.

Mr. AIKEN. I may add that the resolution to which I have referred is completely bipartisan.

Mr. HUMPHREY. The Senator is correct.

Mr. JOHNSON of Texas. Mr. President, I am much pleased that the bill has been passed. I wish to congratulate and commend the Senator from Minnesota for his diligence and for his interest in the proposed legislation, as well as for the fine work he has done.

Mr. HUMPHREY. I am deeply grateful to the Senator for his kind remarks and for his leadership in making it possible to pass the bill.

DEATH OF ROBERT AUFDERHEIDE, SUPERVISOR OF WILLAMETTE NATIONAL FOREST

Mr. MORSE. Mr. President, it is with deep regret that I have learned, from an article published in the Eugene Register-Guard, of the passing of Robert Aufderheide, of Eugene, Oreg., the supervisor of the Willamette National Forest.

Bob Aufderheide was an outstanding conservationist, and the monument which he leaves behind is one which can be seen by all the people of the Nation as they visit our national forests.

I ask unanimous consent that the article published in the Register-Guard be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WILLAMETTE FOREST SUPERVISOR, ROBERT AUFDERHEIDE, DIES

Robert Aufderheide, supervisor of the Willamette National Forest, and a U.S. Forest Service employee for nearly 25 years, died Saturday morning in a Eugene hospital. He had been ill with cancer.

Mr. Aufderheide was 50 years old. He had been seriously ill since September 1958.

Survivors include his widow, Muriel; a daughter, Roberta, 17, and two sisters. The family lives at 2240 Friendly Street, Eugene.

Funeral services will be announced by Simon-Lounsbury Mortuary.

OSC GRADUATE

A native of Minnesota, Mr. Aufderheide was graduated from the School of Forestry, at Oregon State College in 1935. He had been supervisor of the Willamette National Forest, one of the largest in the Nation, since 1954.

He began his professional career by working on various assignments, in 1934. He received his forester's appointment in 1935 and was assigned to the Rogue River National Forest.

In 1936 he was transferred to the Siuslaw National Forest. There he worked through the ranks from assistant ranger to the supervisor's staff in Corvallis.

In recognition for his knowledge in the field of research, Mr. Aufderheide was promoted, in 1946, to be forester in charge of the Western Oregon Work Center (now Willamette Research Center) of the Pacific Northwest Forest and Range Experiment Station at Corvallis.

Four years later, he was made supervisor of the Umpqua National Forest at Roseburg. This was his assignment until 1954, when he replaced retiring J. R. Bruckart as supervisor of the Willamette Forest at Eugene.

WILLAMETTE SUPERVISOR

Mr. Aufderheide was recently cited for outstanding work in connection with his administration of the Willamette forest. For his overall accomplishments, he was given a \$300 cash award by the regional forester, J. Herbert Stone.

Stone said Saturday morning that "Mr. Aufderheide has set a splendid example of public service, particularly in the field of timber management and research—his loss will be keenly felt.

A soft-spoken man, Mr. Aufderheide during his professional career made many friends within the service and also in the timber industry.

GET WELL NOTE

At a recent meeting of forestry school alumni at Oregon State College, more than 300 signatures were placed on a "get well" note.

During his administration of the Willamette forest, an era of expansion and change took place, including an accelerated program of timber sales and considerable increased attention to recreational demands.

Much in demand as a public speaker, Mr. Aufderheide appeared at dozens of meetings in Lane County to explain various phases and purposes of forest service policy.

During a visit to Eugene last summer, Secretary of Agriculture Ezra Taft Benson, who has responsibility for the forest service, sent a personal message to Mr. Aufderheide at the hospital.

THE LACK OF A FARM BILL

Mr. LANGER. Mr. President, I ask unanimous consent to have printed in the body of the RECORD a statement by me concerning the lack of a farm bill.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR LANGER

On several occasions this year, I have asked the leadership when are we going to have a farm bill? The majority leader graciously stated "that as soon as the Committee on Agriculture reports out a farm bill, I will see to it that it gets top priority."

During the recent campaign in North Dakota, the opposition to the Republican Party made great use of paid advertisements, showing the prices the farmer received for his products in 1952 as compared to that he was receiving in 1958 and further, what the farmer was paying for farm machinery in 1952 and what he had to pay in 1958. These advertisements were placed in every county newspaper and undoubtedly had a profound effect on the election results. As I have stated on the floor, I have been patiently waiting for a good farm bill to be reported out by the Committee on Agriculture. I have received thousands of requests, and I do not exaggerate that figure, asking me what Congress is going to do about a new farm bill and whether Congress will pass such a bill before seeding time.

In previous years, the division of votes between Republican and Democratic Senators was very narrow and the Democrats took great delight in placing the blame of the farm situation on the President and Secretary Benson, but now the Senate is predominantly Democratic, 2 to 1, and they must assume the full blame for the lack of the passage of a good farm bill.

I have written my constituents repeatedly that the Congress is controlled by the Democrats and if they present a good farm bill, I will vote for it and if President Eisenhower should veto it, I will vote to over-

ride his veto. The new farm bill is solidly and unequivocally on the back of the Senators from the Democratic side of the aisle. January, February, March, and now we are approaching the middle of April and still no farm bill and further, from what I have been able to observe, there doesn't even appear to be a new farm bill on the horizon.

Recently I appeared before a subcommittee of the Committee on Agriculture, urging that they take action immediately on a farm bill. Several farm bills supported by North Dakota constituents were being discussed. What I am saying here, I said before that Committee on Agriculture. I urged them to act immediately. I don't want to appear overbearing but at least once a week, I shall stand on the floor of the Senate and remind the Senators that although they were most stirring in their appeals to the farmer before November election, however, they appear to be very silent since November in the passage of a good farm bill.

I simply do not believe in hypocrisy. If these farmers were being robbed and cheated and put out of business, as was so strongly stated by the Democratic opposition last fall, why haven't they done something to remedy the situation; why haven't they at least reported a bill out of the committee which they control 2 to 1? Certainly the farmers of the Midwest are entitled to better treatment than they have been getting. Because I know they should get a better deal, I wish to add my voice to those of the farming population who are asking for a square deal from the Congress. I reiterate, I, also, wish to assure the Democratic leadership that if they will report out a decent farm bill, I will not only vote for it, but if the President vetoes it, I will vote to override the veto.

USE OF MAILS FOR DISTRIBUTION OF OBSCENE MATERIAL

Mr. LANGER. Mr. President, an Associated Press story reveals an announcement by Postmaster General Summerfield of the simultaneous raids on the New York City headquarters of three men, whom he described as among the east coast's largest dealers in obscenity. I am most happy to read of these raids which followed the opening of a sealed indictment returned by a Federal grand jury in New York, charging the men with using the mails to distribute obscene and pornographic films, slides, pictures, and circulars.

I am glad the Post Office Department as well as the U.S. attorney's offices and State and city law enforcement groups are constantly striving to wipe from the face of this country peddlers of filth who are contaminating the minds of our young.

As the ranking Republican on the Senate Juvenile Delinquency Subcommittee for a number of years, I am happy to note that our subcommittee conducted investigations and hearings into the distribution and sale of pornographic material, which amounted to a \$500 million-a-year business. As a result of our hearings, we were able to wipe out five or six of the largest producers and distributors of pornographic material. Some went to jail; others were forced out of business by injunction.

I have received thousands of letters from parents and religious and civic organizations urging the subcommittee to do everything it can to stop the produc-

tion and distribution of pornographic material.

I ask unanimous consent that the article which was published in the Washington Evening Star of March 7 be printed at this point in my remarks.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Washington Star, Apr. 7, 1959]

POSTAL OBSCENITY RAIDS NET THREE BIGGEST DEALERS

Postmaster General Summerfield today announced simultaneous raids on the New York City headquarters of three men whom he described as among "the east coast's largest dealers in obscenity."

The raids, by postal inspectors and U.S. marshals, followed the opening of a sealed indictment returned by a Federal grand jury in New York charging the men with using the mails to distribute obscene and pornographic films, slides, pictures, and circulars.

DESCRIBED AS DEFIANT

Mr. Summerfield described those involved as "defiant and ruthless purveyors of mail order filth."

Those named in the indictment, Mr. Summerfield said, were:

Ben Himmel, 43, of Forest Hills, Long Island, operator of Pigalle Imports.

William Glanzman, 33, Atlantic Beach, N.Y., operator of Monart, Inc., and Bowery Enterprises.

Sidney Ross, 40, Brooklyn, operating Jefferson Creations, Milco Specialties, and Glamacolor Productions.

Mr. Summerfield said each of the men had a long record of using the mails to sell obscene material, and had, in the past, adopted fictitious names when the Department attempted to bar them from using the mails.

FLOOD OF COMPLAINTS

He said the Post Office Department has had a flood of complaints from clergymen, parent-teacher associations, high school principals, college presidents, newspaper editors, and alarmed parents.

"The purpose of today's coordinated raids, which is the largest single action of record," Mr. Summerfield said, "was to seize the operators and impound enough evidence to once and for all put these offenders out of business."

RADIATION HAZARD ACT OF 1959

Mr. HILL. Mr. President, I introduce for appropriate reference a bill which will vest in the U.S. Public Health Service the primary responsibility for developing, in consultation with State and local health authorities, a program to protect the public health and safety from the perils implicit in manmade sources of ionizing radiation.

Shortly before the Easter recess a report was made to the Surgeon General of the U.S. Public Health Service by the National Advisory Committee on Radiation. That committee made it clear that the absence of a comprehensive program through which the health hazards of all sources of ionizing radiation may be brought under supervision appears to be an important weakness in this Nation's efforts to control radiation. The bill which I am introducing, Mr. President, is based upon the report of this committee of outstanding scientists and has as its objective the carrying out of the committee's recommendation that primary responsibility for the Nation's protection

over radiation hazards be established in a single agency of the Federal Government and that that agency should be the U.S. Public Health Service.

Here, briefly stated, is what the bill will do. It declares it to be the policy of this Government that primary responsibility for the protection of the public health from radiation hazards shall be vested in the Public Health Service and in State and local health authorities. It instructs the Surgeon General to develop, in consultation with Federal, State, and local agencies exercising responsibilities in connection with the control of radiation hazards, uniform standards of radiation protection. It authorizes the Surgeon General to conduct research, studies, investigations, and training programs with respect to the control of radiation hazards both directly and through grants-in-aid. It establishes a National Advisory Council on Radiation Hazard Control, to be appointed by the President and to consist of 15 members, including the Surgeon General of the U.S. Public Service, the Secretary of Defense, the Chairman of the Atomic Energy Commission, and the Director of the National Science Foundation. And finally, it requires the Surgeon General to submit to the Congress not later than February 28, 1960, a comprehensive program for the control of radiation hazards emanating from all manmade sources. This program will be developed by the Surgeon General after consultation with Federal, State, and local agencies exercising responsibilities in connection with the control of radiation hazards.

The problem which this bill is meant to help resolve, Mr. President, is that of the peril to ourselves, our children, and to the future of the entire human race which has resulted from the creation and the rapid development of manmade sources of potentially destructive radiation.

It is a problem to which many of our colleagues have persuasively addressed themselves. Only a few days ago the Senator from New Mexico [Mr. ANDERSON], chairman of the Joint Committee on Atomic Energy, the Senator from Minnesota [Mr. HUMPHREY], chairman of the Foreign Relations Subcommittee on Disarmament, and other Senators joined in a most thought-provoking discussion of the radiation hazard which confronts us all. On several occasions the Senator from Rhode Island [Mr. PASTORE] whose concern with the protection of the people's health is so well known to us all, has spoken on this problem. And the record shows that many Members of the House of Representatives have spoken to alert the Nation to the necessity of coming to grips with the risks and hazards of ionizing radiation.

It is because what they have said has been so well said that I will speak but briefly of the problem as I see it. Man in the last half century has let loose in the world forces which we do not as yet fully understand. We do not fully know either their potentialities or their hazards. The data on which to base conclusions is scanty. The conclusions so far arrived at are altogether tentative. The one single and apparently universal-

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued April 14, 1959
For actions of April 13, 1959
86th-1st, No. 54

Acreage allotments.....8		
Adjournment.....9		
Air pollution.....2		
Assaults and homicides..23		
Atomic fallout.....7		
Census.....23		
Cotton.....8		
Eggs.....5		
Electrification.....3,10		
Employment.....23		
Ethics.....28		
Farm appraisals.....12	Legislative program.....8	Retirement.....23
Farm program.....6	Milk.....20	Seed.....27
Foreign affairs.....4	Mineral rights.....22	Small business.....24
Foreign aid.....18	Personnel.....11,23,28	Tobacco.....21
Forestry.....17	Postage rates.....14	Trade fairs.....1,4
Housing.....15	Property.....16,26	Water pollution.....13
Lands.....22	Research.....25	Wilderness.....19

HIGHLIGHTS: House Rules Committee cleared bill to give REA Administrator authority over all loans. Sen. Keating introduced and discussed bill to make it Federal offense to assault or kill certain Federal employees.

SENATE

1. TRADE FAIRS. The Finance Committee reported without amendment H. R. 5508, to provide for the free importation of articles for exhibition at fairs, exhibitions, or expositions (S. Rept. 162). p. 5133
2. AIR POLLUTION. The Public Works Committee reported with amendment S. 441, to extend the duration of the Federal air pollution control law (S. Rept. 182). p. 5133
3. ELECTRIFICATION. The Public Works Committee reported without amendment S. 114, to provide for equal treatment of all State-owned hydroelectric power projects with respect to the taking over of such projects by the U. S. (S. Rept. 186). p. 5133
Sen. Kuchel inserted an address by the Commissioner of Reclamation, "Hydro-power and the Bureau of Reclamation," discussing the hydroelectric program of that Bureau. pp. 5153-5

4. FOREIGN AFFAIRS. Both Houses received from the President the fifth semiannual report of operations under the International Cultural Exchange and Trade Fair Participation Act of 1956. pp. 5156, 5201
5. EGGS. Sen. Langer expressed his concern over "the low price of eggs in North Dakota -- 18 cents a dozen," and inserted a letter he had received listing the price of eggs and other farm commodities. p. 5133
6. FARM PROGRAM. Sen. Langer inserted a GTA Daily Radio Roundup on "the farm situation in North Dakota and the Middle West," and urged the enactment of "a good farm bill." pp. 5170-1
7. ATOMIC FALLOUT. Sen. Humphrey inserted an article by Sen. Church, "We must Stop Poisoning the Air," discussing the increasing danger of atomic fallout. pp. 5144-5
8. LEGISLATIVE PROGRAM. Sen. Johnson announced that S. 1455, to authorize the rental of cotton acreage allotments, may be scheduled for consideration this week, in addition to the labor reform bill. p. 5155
9. ADJOURNED until Wed., Apr. 15. p. 5183

HOUSE

10. ELECTRIFICATION. The Rules Committee reported a resolution for consideration of H. R. 1321, to give the REA Administrator authority over all loans. p. 5203.
11. PERSONNEL. The Rules Committee reported a resolution for the consideration of H. R. 4601, a bill to amend the act of Sept. 1, 1954, to limit to cases involving national security the prohibition on payment of annuities and retired pay to Federal employees. pp. 5203-4
Received from the Civil Service Commission a proposed bill "to provide certain survivor annuities payable from the civil service retirement and disability fund"; to the Post Office and Civil Service Committee. p. 5203
12. FARM APPRAISALS. A subcommittee of the Agriculture Committee ordered reported with amendment to the full committee H. R. 5740, to amend the Federal Farm Loan Act to transfer responsibility for making appraisals from the Farm Credit Administration to the Federal land banks. p. D237
13. WATER POLLUTION. Rep. Dingell criticized the President's water-pollution construction grant request and inserted a table showing what "the dollar loss to the States will be if the full amount of this program is not appropriated." p. 5205
14. POSTAGE RATES. A subcommittee of the Post Office and Civil Service Committee ordered reported to the full committee H. R. 5212, to revise the minimum charge on pieces of mail of odd sizes and shapes. p. D238
15. HOUSING. Rep. Hiestand criticized the Senate-passed housing bill and the House subcommittee housing bill, stating that "both bills are exorbitant and excessive," and urged austerity. pp. 5192-6
16. PROPERTY. Received from the Alaska Legislature a memorial urging Congress to pass S. 910, to authorize the payment to local governments of sums in lieu of taxes and special assessments with respect to certain Federal real property. p. 5205

CONSIDERATION OF H.R. 1321

APRIL 13, 1959.—Referred to the House Calendar and ordered to be printed

Mr. Bolling, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 236]

The Committee on Rules, having had under consideration House Resolution 236, report the same to the House with the recommendation that the resolution do pass.

○

House Calendar No. 48

86TH CONGRESS
1ST SESSION

H. RES. 236

[Report No. 266]

IN THE HOUSE OF REPRESENTATIVES

APRIL 13, 1959

Mr. BOLLING, from the Committee on Rules, reported the following resolution ;
which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the Union
4 for the consideration of the bill (H.R. 1321) to amend
5 Reorganization Plan Numbered 2 of 1953. After general
6 debate, which shall be confined to the bill, and shall continue
7 not to exceed two hours, to be equally divided and controlled
8 by the chairman and ranking minority member of the Com-
9 mittee on Government Operations, the bill shall be read for
10 amendment under the five-minute rule. At the conclusion
11 of the consideration of the bill for amendment, the Commit-
12 tee shall rise and report the bill to the House with such
13 amendments as may have been adopted, and the previous

1 question shall be considered as ordered on the bill and
2 amendments thereto to final passage without intervening
3 motion except one motion to recommit.

House Calendar No. 48

86TH CONGRESS
1ST SESSION

H. RES. 236

[Report No. 266]

RESOLUTION

Providing for the consideration of H.R. 1321,
a bill to amend Reorganization Plan Num-
bered 2 of 1953.

By Mr. BOLLING

APRIL 13, 1959

Referred to the House Calendar and ordered to be
printed

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued April 15, 1959
For actions of April 14, 1959
86th-1st, No. 55

Appropriations.....2	Farm program.....7,12	Public debt.....19
Area redevelopment...13,20	Foreign aid.....11	REA.....1
Basin compact.....22	Forestry.....5,24	Small business.....15,18
Budget.....10	Holiday.....17	Taxation.....15,16
Contracts.....18	Housing.....6	Textiles.....14
Electrification.....1	Labor standards.....23	Transportation.....16
Employment.....14	Lands.....25	Unemployment
Expenditures.....19	Legislative program.....6	compensation.....2,4
Fair trade.....8	Personnel.....3,9,16,17	Water resources.....26
Farm credit.....21	Price supports.....12	

HIGHLIGHTS: House debated bill to give REA Administrator authority over all loans.
Rep. Alger inserted Secretary's Dallas speech.

HOUSE

1. ELECTRIFICATION. Began debate on H. R. 1321, to provide that the REA Administrator shall not be subject to the control of the Secretary in the approval or disapproval of loans (see Digest 49 for a summary of the bill). pp. 5228-39
The Public Works Committee reported with amendment H. R. 3460, the TVA self-financing bill. H. Rept. 271. p. 5249
2. APPROPRIATIONS. Passed without amendment H. J. Res. 336, to provide a supplemental appropriation of \$40 million to the Labor Department for unemployment compensation payments to veterans and former Federal employees. pp. 5207-8
3. PERSONNEL. Passed as reported H. R. 4601, to limit to cases involving the national security the prohibition against the payment of annuities and retired pay to officers and employees of the U. S. pp. 5218-24
4. UNEMPLOYMENT COMPENSATION. Rep. Lane urged the enactment of legislation to expand and extend unemployment compensation payments and to provide more uniformity among the States in making payments. pp. 5240-1

5. FORESTRY. Rep. Green, Ore., inserted an Ore. Legislature resolution urging the appropriation of \$30 million for the fiscal year 1960 for the construction of access roads in the national forests. pp. 5426-7
6. LEGISLATIVE PROGRAM. Rep. McCormack announced that if rules are reported by the Rules Committee the military construction authorization bill will be considered this week and the housing bill will be considered next week. p. 5209

ITEMS IN APPENDIX

7. FARM PROGRAM. Rep. Alger inserted Secretary Benson's speech before the 50th annual convention of Texas Cotton Ginners' Ass'n on April 7th. pp. A3045-6
8. FAIR TRADE. Rep. Alger inserted 2 editorials opposing fair trade laws.
p. A3040, 3042-9
Rep. Dingell inserted a Budget Bureau letter recommending against enactment of H. R. 768, to amend the Federal Trade Commission Act, as amended, so as to equalize rights in the distribution of identified merchandise. p. A3056
9. PERSONNEL. Speeches in the House of Rep. Rees, Kans., and Rep. Fulton during debate on H. R. 4601, to limit to cases involving the national security the prohibition on payment of annuities to Federal employees. pp. A3052-5, A3057
10. BUDGET. Rep. Halleck inserted statements of Republican Congressmen showing the support of their districts for the President's Budget, Defense, and "resistance to spendthrift Federal programs." pp. A3017-8
11. MUTUAL SECURITY. Rep. Levering inserted several articles critical of the foreign aid program and administration of the program. p. A3019.
12. FARM PROGRAM. Rep. Michel inserted a Chicago Tribune article, "Where The Farm Subsidies Go," quoting Sen. Williams, Del., as saying "the high rigid support program is little more than a Government guarantee on the operations of corporate type farming ..." p. A3028-9
13. AREA REDEVELOPMENT. Rep. Flood inserted a Wilkes-Barre Chamber of Commerce resolution supporting the Douglas-Flood area redevelopment bill. pp. A3030-1
14. TEXTILES; EMPLOYMENT. Rep. Lane inserted the April Textile Workers Union Fact Sheet on employment figures in textile areas. pp. A3036-7
15. GOVERNMENT BUSINESS OPERATIONS. Rep. Alger inserted a statement opposing any Government business operations and asking for a repeal of the Federal income tax. pp. A3042-3

BILLS INTRODUCED

16. TAXATION. H. R. 6356, by Rep. Cramer, to amend the Internal Revenue Code of 1954 to provide that annuities under the Civil Service Retirement Act shall not be subject to the income tax; to Ways and Means Committee.
H. R. 6366, by Rep. Herlong, to repeal the tax on transportation of persons; to Ways and Means Committee.
17. PERSONNEL. H. R. 6370, by Rep. Lane, to provide for absence from duty by civilian officers and employees of the Government on certain days; to Post Office and Civil Service Committee.
H. J. Res. 338, by Rep. Wolf, declaring Good Friday in each year to be a legal holiday; to Judiciary Committee. Remarks of author. p. 5240

months to find suitable office space for \$75 per month—the sum I was allowed. I could not find it. One small room I might have had, but no more.

My constituents rarely call one at a time. Often several delegations visit me at the same time. Each person considers his or her business private, and I respect that privacy. For that reason alone, a Member of Congress should always have at least two rooms for a business office.

In desperation I asked the judge of the Federal district court if I might have the use of his chambers in the Post Office Building. He graciously granted my request and so this space became my principal district office. The judge's chambers are lovely and the Government was saved \$900 per year. However, when a session of court is held, my files are moved into other quarters temporarily and my staff and I are in the halls or other places in the building. None of us has ever particularly minded this for any reason other than the inconvenience it causes my constituents, and court sessions seldom last more than a week at the time.

For many years before coming to Congress, I was a member of the State legislature and Democratic National Committeewoman. For this reason it became imperative that I have office space at home. At considerable expense, my husband and I remodeled our house to provide for this.

One office was never enough for my district, and I continued to maintain this second office after I was elected to Congress. During the 7 months that Congress is in session activity is light in both district offices. It is necessarily concentrated in the Washington office. But, when we adjourn, and I go home, most of my staff go with me. There are one, two, or three people in each district office at all times, and the Washington office is also left open. I spend my time in all three of them during these months and in traveling back and forth over the district making speeches and learning as much as possible the continuing needs of the people.

On August 1, 1957, the Congress took official recognition of the need of two congressional district offices and made \$100 per month available for this purpose. Whether or not this action had been taken I would have continued to use the facilities of my home for the benefit of the grand people I represent. Nevertheless, I do not hesitate to express my gratitude for the compensation. When I came to Congress I had a few thousand dollars of my own and I owed not a cent in the world. Now I am in debt by several thousands of dollars. Fortunately, my husband and I own some property and my creditors are safe, although I have spent many sleepless nights worrying about the accumulation of debts, and I would state this unequivocally. Regardless of the expense and many other personal sacrifices, I am proud and grateful of the opportunity of representing the people of the Eighth Congressional District of Georgia in the Congress of the United States, and I shall

continue to represent them here so long as they and the gentle hand of providence provide the opportunity.

Mr. Chairman, the discreditable story of Mr. Trimble did me no harm among the people of the Eighth Congressional District of Georgia. I received only one letter from one constituent, and that letter was to praise me for saving the Government \$900 a year. Although the national press and television carried the story, not a single daily or weekly paper published in Georgia's Eighth District carried his version of the story. Only one paper carried the straight story of the rental.

The type story Mr. Trimble wrote inspires the pathologically sick to take their pens or pencils in hand. I received approximately 40 letters and postcards from the Northeastern States lambasting me in various types of language, but most of these lacked the courage to sign their names. There were a few who, of course, were honestly indignant. Since they do not know me personally, I can understand.

These letters are living proof of the disservice Mr. Trimble has performed for his profession and for the American people.

In conclusion, Mr. Chairman, I would say, "Long live the freedom of the American press." And I want to assure the Members of this body that my strong belief in this freedom is not one whit deterred by the disgrace that one member of the fourth estate has brought upon that basic institution of our American way of life.

Mr. BROOKS of Louisiana. Mr. Chairman, I have no further requests for time.

Mr. FULTON. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. The Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) there is hereby authorized to be appropriated to the National Aeronautics and Space Administration for the fiscal year 1959 the sum of \$48,354,000 as follows:

(1) For an additional amount for "Salaries and expenses", \$3,354,000.

(2) For an additional amount for "Research and development", \$20,750,000.

(3) For an additional amount for "Construction and equipment", \$24,250,000 as follows:

(A) Jet Propulsion Laboratory, Pasadena, California: New facilities, improvements to existing facilities, and approximately seventy acres of land, \$9,000,000; and

(B) Various locations: Global range tracking and communication facilities and equipment, and propulsion development facilities, \$15,250,000.

(b) Authorization is hereby granted whereby either the amount prescribed in subparagraph (A) or the amount prescribed in subparagraph (B) of subsection (a)(3) may, in the discretion of the Administrator of the National Aeronautics and Space Administration, be varied upward 5 per centum to meet unusual cost variations, but the total cost of all work authorized under such subparagraphs shall not exceed a total of \$24,250,000.

SEC. 2. Any amount, not to exceed \$500,000, of the funds appropriated pursuant to au-

thorization of subsection (a)(3) of the first section for the construction of facilities described under such subsection may, with the approval of the Bureau of the Budget, be used for the construction of new research facilities or for the modification of existing research facilities not specifically authorized in this Act, if such construction or modification is deemed by the Administrator of the National Aeronautics and Space Administration to be of greater urgency than the construction of any facility authorized by this Act; but no such funds shall be used for the construction or modification of any facility if funds for such construction or modification have been previously denied by the Congress.

The CHAIRMAN. The Clerk will report the committee amendment.

The Clerk read as follows:

On page 3, line 2, following the word "act" change the semicolon to a colon, strike the balance of line 2 and all of lines 3, 4, and 5 and add the following: "Provided, That upon reaching a final decision to implement, the Administrator or his designee shall notify the Committee on Science and Astronautics of the House of Representatives and the Committee on Aeronautical and Space Sciences of the Senate, of the cost of such construction of new research facilities or the modification of existing research facilities: *Provided further*, That no such funds shall be used for the construction or modification of any facility if funds for such construction or modification have been previously denied by the Congress."

The committee amendment was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose, and the Speaker having resumed the chair, Mr. COFFIN, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (S. 1096) to authorize appropriations to the National Aeronautics and Space Administration for salaries and expenses, research and development, construction and equipment, and for other purposes, pursuant to House Resolution 240, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The previous question was ordered.

The SPEAKER. The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the third reading of the bill.

The bill was ordered to be read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

CALL OF THE HOUSE

Mr. ALLEN. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently, no quorum is present.

Mr. BOLLING. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 26]

Andersen,	Granahan	Philbin
Minn.	Hargis	Polk
Ashley	Harris	Powell
Barden	Holifield	Rostenkowski
Blatnik	Holland	St. George
Bowles	Huddleston	Santangelo
Boykin	Jackson	Shelley
Brewster	Johnson, Colo.	Smith, Miss.
Buckley	McMillan	Spence
Carnahan	Macdonald	Springer
Celler	Magnuson	Steed
Cooley	Morrow	Stratton
Davis, Tenn.	Metcalf	Stubblefield
Dent	Miller	Teller
Dorn, N.Y.	George P.	Tollefson
Fallon	Moulder	Walter
Flynn	Nix	Whitten
Frelinghuysen	Norblad	Williams
Friedel	Perkins	Willis
Garmatz		

The SPEAKER. On this rollcall 370 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

MODIFYING REORGANIZATION PLAN NO. 2 OF 1939 AND REORGANIZATION PLAN NO. 2 OF 1953

Mr. BOLLING. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 236 and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 1321) to amend Reorganization Plan Numbered 2 of 1953. After general debate, which shall be confined to the bill, and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Government Operations, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. BOLLING. Mr. Speaker, I yield 30 minutes to the gentleman from Illinois [Mr. ALLEN], and pending that I yield myself such time as I may consume.

Mr. Speaker, House Resolution 236 makes in order the consideration of H.R. 1321, to amend the Reorganization Plan No. 2 of 1953. This resolution provides for an open rule and 2 hours of debate.

The purposes of H.R. 1321 are, first, to restore to the Administrator of the Rural Electrification Administration the authority to approve or disapprove loans, without the supervision or direction of, or any other control by, the Secretary of Agriculture, under the Rural Electrification Act of 1936, as amended; and second, to reestablish in the Rural Electrification Administration, as a matter of law, the functions vested in that agency by the 1936 act. Except for the approval or disapproval of loans, the Rural Electrification Administration will remain under the general supervision and direction of the Secretary of Agriculture. His power to redistribute its functions

among other agencies of the Department will, however, be eliminated.

The Rural Electrification Administration was created by Executive Order 7037 of May 11, 1935. Statutory provision for the agency was made in the Rural Electrification Act of May 20, 1936, which authorized loans for facilities to bring central station electric service to rural people who did not have it.

REA became a part of the Department of Agriculture under Reorganization Plan No. 2, effective July 1, 1939. Under Reorganization Plan No. 2 of 1953 there were transferred to the Secretary of Agriculture the functions of the Administrator of REA and the power was given the Secretary to delegate these functions as he deemed appropriate. The 1939 plan transferred the REA along with its functions to the Department of Agriculture but provided it should retain its identity as a separate unit within the Department under the general direction and supervision of the Secretary. The plan of 1953, on the other hand, clearly transferred the functions of the REA to the Secretary and gave him the power to exercise these functions, himself, or to delegate them to any officer in the Department.

In 1954 the Secretary did, in fact, assign these functions to the Administrator of Rural Electrification Administration but with the reservation that such delegation of authority is subject to withdrawal or amendment at any time.

Subsequently, the Secretary issued an unwritten order to the Administrator of the REA to submit for review by the Director of Agricultural Credit Services all loans over \$500,000 prior to their approval by the Administrator. Later this figure was changed to \$1 million.

Under H.R. 1321, any functions transferred to the Department or the Secretary by the 1939 or 1953 plan will be put back in the Administrator of REA, and the Administrator shall carry out these functions within the Department of Agriculture under the general direction and supervision of the Secretary. Thus the REA will remain intact within the Department and its functions may not be distributed to other officers or units elsewhere in the Department. The functions relating to the approval or disapproval of loans, however, will not be subject to the supervision or direction or to any other control by the Secretary of Agriculture.

I urge the adoption of this resolution.

Mr. HALLECK. Mr. Speaker, will the gentleman yield?

Mr. BOLLING. I yield to the gentleman from Indiana.

Mr. HALLECK. Did I understand the gentleman to make some reference to the effect of the Reorganization Order of 1939 insofar as the power of the Secretary was concerned over the making of loans?

Mr. BOLLING. My understanding is that in the 1939 reorganization, there was a covering-in of the agency; but that it was the 1953 reorganization that gave the Secretary of Agriculture the power of supervision and in fact final decision over the loans.

Mr. HALLECK. I am afraid the gentleman is in error if the report is cor-

rect because on page 2 of the Senate report we find this paragraph:

In addition, Reorganization Plan No. 2 of 1939, which originally transferred the Rural Electrification Administration to the Department of Agriculture, provided that it should be administered by the Administrator under the general direction and supervision of the Secretary of Agriculture.

The courts have held that this authority includes the power of approving or rejecting REA loans. So certainly it is clear to me from the report that with the reorganization order of 1939—that was a long time before this present administration took office—the power was then vested in the Secretary of Agriculture either to approve or reject the proposed loan, and we have operated under that sort of provision ever since 1939.

Mr. BOLLING. Unless I am in error, and I doubt that I am, although I am not familiar with the court decision, the fact remains that not until some considerably later date, after the order I mentioned by the Secretary bringing the review up to the person designated by him, were the loans passed on by any other person than the Administrator of the REA.

My understanding of the Reorganization Act of 1939 was that it was intended to give REA a home. Regardless of what the courts have had to say, the fact remains, as I understand it, that there has never been any supervision by the Secretary of Agriculture over the granting of loans until a date some time after 1954.

Mr. HALLECK. That well may be, but I am not going to challenge the validity or the correctness of the report of this committee. I assume it was gotten up with care by experts who knew what they were talking about. If I can read the English language, it says very clearly that after the reorganization order of 1939 "general direction and supervision" was vested in the Secretary of Agriculture and that gave him the authority of approving or rejecting REA loans. So I insist that on the words of the report itself in this order that they name, that power was vested in the Secretary of Agriculture and it has remained there ever since.

Mr. BOLLING. I will say to the gentleman, finally, that this may be the way one construes the language of the report if one so desires, but in the testimony before the Rules Committee I did not gather that anybody construed the report that way.

Mr. ALLEN. Mr. Speaker, I yield myself such time as I may require.

Mr. Speaker, I do not have any misgivings about this bill. I am certain that I need not mention that I think all of us are very much aware of the real objective and the real purpose of this bill. But I regret that this bill has been brought here with such haste. It came before the Rules Committee yesterday about 4 o'clock. There were no printed hearings, but my good friend from Illinois, the chairman of the Committee on Government Operations, was kind enough to give me a proof copy of it. Then this controversial bill comes in here today without any printed hearings for the benefit of the member.

What is the present situation of the bill now before us? Back in 1939 the Reorganization Act gave the Secretary of Agriculture full authority in regard to REA. It gave him the right, the authority, to deny or approve loans. That was the situation then and that is the situation now.

Today we have before us a bill that still will give the Secretary of Agriculture the authority over every phase in the REA except the right to approve or deny loans, which is the most important function of the REA. Now REA means rural electrification. I think it rightfully belongs in the agency of the Secretary of Agriculture. I know that you, Mr. Speaker, would not want to be charged with the full responsibility of administering an agency and then having some subordinate have the authority when it comes to the main function of that agency. I do not think you or I could administer anything under those conditions. It would be parallel to the situation of having our people send us to the Congress and saying, "Now, we think you are a good man. You go down and do this leg work in the departments, but when it comes to the real thing—when it comes to the real thing that counts, and that is voting—you will give that right to your administrative assistant. Let him, your subordinate, perform the important function."

So I say that we cannot and should not saddle the Department, the Secretary of Agriculture, with full authority and responsibility and then take the most important function away from him.

I would like to read the statement of Mr. David Hamil who is the Administrator of the REA. He appeared before the Committee on Government Operations on March 9. Listen to this. This is the subordinate, the one in whom this Congress by this bill now proposes to put in authority in regard to the approval or denial of loans. This is what he said before the committee of the gentleman from Illinois [Mr. Dawson], on March 9, 1959, when this bill was being considered:

Mr. HAMIL. I have a few brief observations on these matters which are before you.

Secretary Benson has made no change in the organization, authorities, functions, or policies of REA.

The informal procedure whereby proposed supplemental loans in excess of one-half million dollars—now \$1 million—and proposed loans to new borrowers are discussed with Mr. Kenneth L. Scott, Director of Agricultural Credit Services, has not resulted in the rejection of a single loan or in any appreciable delay.

In not a single instance has Secretary Benson or Director Scott interfered in the discharge of my responsibilities as Administrator of REA. I make the loans.

For your information, Mr. Chairman, in my absence from the office my very able Deputy, Ralph J. Foreman, who is in the room here, is in charge of REA. On those occasions, he makes the loans. If he and I are both absent, we have three Assistant Administrators who act in that capacity. Roy G. Zook, Robert T. Beall, and Norman McFarlin.

I also have in the room Mr. Charles Samenow, whose title in REA is legislative consultant, and who on many occasions has acted as Administrator and made loans.

While I have been Administrator, not one loan application which met the require-

ments of the Rural Electrification Act has been rejected. Not one of my loan decisions has been motivated or colored by political considerations.

It is my own considered opinion that REA has prospered in its 20 years in the Department of Agriculture. It is doing well now. The counsel and experience of Secretary Benson and Director Scott have helped me in discharging my duties. I see no need or reason for change. I support fully the position of the Department.

Mr. HALLECK. Mr. Speaker, will the gentleman yield?

Mr. ALLEN. I yield.

Mr. HALLECK. I do not want to belabor the proposition, but I think it ought to be thoroughly understood that this legislation which is presently before us seeks to undo in part the effect of the reorganization order of 1939 and not the effect of the reorganization order of 1953. I well recall the great struggle we had here to write the first Reorganization Act, and believe me, it was a bitter struggle. But, the very thing that was sought to be accomplished here by that Reorganization Act has been accomplished in this particular instance. Here was an operation involving the farmer, necessarily a part of the overall operation of the Department of Agriculture. The President in 1939 sent this order, vesting in the Secretary of Agriculture, the authority over the Administration, including the power to approve or reject loans. That is the very thing that has been in effect for 20 years, which this legislation now seeks to change.

Mr. ALLEN. I thank the gentleman from Indiana.

Now, Mr. Speaker, the gentleman from Missouri [Mr. Bolling] said the issue was interference in the Department by the Secretary of Agriculture. He did not say what interference. I have just read the statement of the Administrator, Mr. Hamil, to whom this bill would turn over the denial or approval of the loan. He does not say there is any interference.

I yield now to anyone who will say that the Secretary of Agriculture, Mr. Benson, when the Administrator, Mr. Hamil, approved a loan, ever overrode him by disapproving it.

Mr. DENTON. Mr. Speaker, will the gentleman yield?

Mr. ALLEN. I yield to the gentleman from Indiana.

Mr. DENTON. The order of 1957 provided no loans over a half million dollars could be approved by the Administrator of REA unless also approved by the Secretary of Agriculture. The REA had been very successful in Indiana. The utilities in Indiana buy their electricity from private utilities. About 3 years ago one utility obtained a very unreasonable rate. The more electricity you used the more you had to pay. I think 250 kilowatts was the breaking point. Below that the rate was less; above, it was more. That order has since been changed, but the rate increase is still high. The REA came out and tried to talk to the utilities company and get a reasonable rate. They would not do so. The only thing they could do was to build a powerplant. They undertook to build a powerplant

at Petersburg, Ind. They made application for a \$42 million loan. The Public Service Commission of Indiana is supposed to pass on the loans, construction of plants, and transportation facilities of the REA's in a judicial capacity. Nevertheless the Governor of Indiana sent the public service commission down to Washington to work against the passage of this enactment. That was the issue in the last campaign, and the people spoke very emphatically about it. They talked to Mr. Benson, and I know Mr. Hamil was there. He was very put out to have them interfere politically with his decision on this loan. But in any event a White House meeting was called thereafter. Sherman Adams presided. I do not know what took place, but after that this informal order of 1957 providing for approval of REA loans over \$500,000 by the Secretary of Agriculture was issued. During all the time prior to that the Administrator thought he passed on the loans. That order was issued, and of course this loan has laid dormant ever since.

Mr. ALLEN. I believe the original author of this bill of the other body has said that to his knowledge he does not know of one instance where the Secretary of Agriculture had disapproved a loan that the Administrator had approved.

Mr. DENTON. Yet no order issued after the White House meeting and I know that loan has lain dormant ever since. It would have put people to work in the coalfields and other industries.

Mr. ALLEN. Mr. Speaker, I cannot yield further to the gentleman.

Mr. Speaker, I think the REA has done a splendid job; and I believe it has been clearly demonstrated that Mr. Hamil wants the situation to remain the way it is, that he is satisfied, that he does not want that authority to make loans—I think the passage of this bill would be an insult to the American people and to the splendid way the program has advanced thus far and so rapidly in the past few years; so, Mr. Speaker, I hope this bill is defeated.

Mr. Speaker, I yield such time as he may require to the gentleman from Ohio [Mr. McCulloch].

(Mr. McCulloch asked and was given permission to revise and extend his remarks and to speak out of order.)

Mr. McCULLOCH. Mr. Speaker, minority members of the Select Committee on Small Business are this afternoon introducing legislation to amend the Renegotiation Act.

Mr. Speaker, it will be recalled that one of the final actions of the 85th Congress was to extend the Renegotiation Act of 1951, as amended, for an additional 6 months—from its prior expiration date of December 31, 1958, to June 30, 1959—Public Law 85-930, 85th Congress, 2d session.

This action followed a 1-day hearing near the close of the session. The report of the Committee on Ways and Means states that the 6-month extension was decided upon in order to give the Congress a greater opportunity to study proposals either for further amendments to the act or to allow it to terminate. The Ways and Means Com-

mittee has announced that it will hold hearings beginning on Monday, April 27, 1959, at which time a more thorough exploration of the subject of contract renegotiation will be undertaken.

SMALL BUSINESS PROPOSALS

The day prior to the 1958 hearing members of the Select Committee on Small Business introduced legislation designed to correct "small business handicaps under the Renegotiation Act of 1951, as amended." This was a bipartisan and nonpartisan effort to secure consideration for some of the most troublesome small business problems now imbedded in the Renegotiation Act. The introductory remarks which we made last July summarized the purposes of our bill and were made a part of the record of the Ways and Means Committee during the hearings on extension of the act—hearings July 29, 1958, page 14, and those that follow.

It is my hope and understanding that we shall have similar support for small-business renegotiation amendments in the 86th Congress.

The Republican members of the Select Committee on Small Business are today introducing identical bills to amend the Renegotiation Act of 1951, in the interest of small business. These members are Mr. MOORE, of West Virginia; Mr. AVERY, of Kansas; Mr. SMITH, of California; Mr. ROBISON, of New York; Mr. QUIE, of Minnesota; and myself.

We are taking this action today in view of the announcement of the Committee on Ways and Means of the House of Representatives that public hearings on the Renegotiation Act of 1951, as amended, will begin on April 27, 1959, in Washington, D.C.

SMALL BUSINESS SKILLS VITAL TO NATIONAL DEFENSE

World War II and the growth of the aircraft industry punctuates the fact that small concerns which are possessed of technical skills and inventiveness are a strong arm of our national defense. We need to keep this large group of small defense contractors in business, and with due consideration for managerial skills, to keep them in a position where the opportunity for profit is present. We are not in favor of subsidies and we know from long experience that small business concerns do not want subsidies either for themselves or their competitors. They want a fair and equal opportunity under the law to do business in a businesslike way and to reap the benefits of their own ingenuity and skill. We believe the present operation of the Renegotiation Act of 1951, as amended, is a deterrent in many respects to capable small and independent concerns which would participate in our national defense programs.

The Congress of the United States has had a longstanding policy of assuring small and independent concerns a fair share of contract awards for goods and services which are made by the various departments and agencies of the Federal Government, and including national defense contracts.

We are entering a new era in preparing and augmenting our national defense

which we refer to generally as the space age. The demands of the space age for increased skills and technical knowledge is recognized by all. We do not believe that a few large concerns can do the complete job. We are convinced that the small concerns who contributed so much to the building of the aircraft industry must be provided with the opportunity and the incentive to keep pace with the tremendous responsibility we all have in keeping America out in front in science and technology.

We feel that our bill is a contribution to that end.

DEPARTMENT OF DEFENSE OPPOSITION TESTIMONY, 1958

The purposes of the bills and the needs of small business as recited by the members of the Small Business Committee last year are as valid today as when the bills were introduced. Opposition was voiced, however, both by Mr. Robert Dechert, general counsel of the Department of Defense, representing that Department, and by the Renegotiation Board, represented by its Chairman, Mr. Thomas Coggeshall. The criticisms made by Messrs. Dechert and Coggeshall deserve consideration and they are in part responsible for the changes in the proposed small business amendments now offered. The purposes remain the same. We believe improved legislative language has been developed to overcome that portion of past criticism which appears to have merit.

In amending the Renegotiation Act of 1951 our bill proposes to provide certain definite assistance to a large number of small but strategic concerns engaged in work pertaining to the national defense. We propose through the enactment of our amendments, first, to encourage subcontracting in Government procurement to provide incentives for small and independent business concerns; second, to encourage prime contractors and subcontractors to subcontract the maximum proportion of their contracts and subcontracts to provide the proper profit motives for small and independent business concerns as the cornerstone of our free enterprise system; and third, to expand the Government procurement base by providing incentives and encouragement to small and independent business concerns.

In adopting the amendments we propose that the Congress reaffirm its longstanding policy of assuring to small and independent business concerns a more substantial proportion of the contract awards by the Federal Government.

ENCOURAGEMENT OF SUBCONTRACTING

Section 2 of our bill is designed to encourage large prime contractors to attain the maximum in subcontracting to smaller concerns. It reads:

SEC. 2. Section 103(e) of the Renegotiation Act of 1951, as amended (setting forth factors to be taken into account in determining whether profits are excessive), is amended by adding at the end thereof the following:

"In determining excessive profits, favorable recognition must be given to economies achieved through contracting with small business concerns (as defined pursuant to section 3 of the Small Business Act); and a contractor or subcontractor who achieves

economies through the programs of the Department of Defense, the Small Business Administration, or any other agency of the Government, to increase the share of such small business concerns in procurement, shall, subject to other considerations set forth in this subsection, be provided incentive awards through proportionately higher profit allowances."

This proposal is identical to the proposal of last year except that it is also made applicable to agencies other than the Department of Defense—such as the National Aeronautics and Space Agency—whose procurement programs are also subject to the act.

A NECESSARY AMENDMENT

Last year Mr. Coggeshall objected to the foregoing proposed amendment claiming it to be unnecessary because the Renegotiation Board has now revised its own regulations to include section 1460.14(b)(3), which reads as follows:

(1) Defense production needs and the policy of Congress require that subcontracting, particularly to small business concerns, be used to the maximum extent practicable. Although a contractor who subcontracts work may not reasonably expect to be allowed as large a profit thereon as if it had done the work itself, subcontracting of the kind described in this subparagraph, especially the extent to which subcontracts are placed with small business concerns, will be given favorable consideration in the renegotiation of the contractor.

(2) A contractor will be given favorable treatment when, by subcontracting, it utilizes in the defense effort facilities and services, particularly of small business concerns, which might otherwise have been overlooked or passed by; when it has demonstrated efficiency and ingenuity in finding appropriate opportunities for subcontracting; when the amount of subcontracting so accomplished is substantial; when the amount or complexity of technical, engineering, and other assistance rendered by the contractor to the subcontractor is substantial; and when the price negotiated with the subcontractor is reasonable in view of the components produced.

The Board is to be complimented on having added this provision to its regulations, a substantial improvement, and if it were not for the phrase in the above regulation reading "may not reasonably expect to be allowed as large a profit thereon," we might agree that our proposed amendment to the Renegotiation Act is not needed. We feel, however, that the amendment we propose contains a very important shift of emphasis which is required for guidance of the Board and for incentive to industry. Our amendment indicates that a proportionately higher profit allowance should be given as a reward to a contractor who achieves economies through a small business subcontracting program. We believe it is the desire of the Congress to make clear that a contractor who saves on total cost to the Government by effecting economical subcontracts with small business should not suffer even a little penalty, as the wording of the Board's regulation implies, but rather should be rewarded by sharing in the savings effected. This can only be accomplished by recognition that a proportionately higher profit allowance such as we propose is a more likely induce-

ment than the prospect of a reduced penalty which is all that may be now inferred in reading the Board's present policy as quoted above.

MINIMUM AMOUNTS SUBJECT TO RENEGOTIATION AND EXEMPTION OF CERTAIN TYPE CONTRACTS

In respect to our proposal to increase the minimum dollar amount subject to renegotiation and certain contract exemptions, our bill proposes that:

SEC. 3. (a) Section 105(f)(1) of the Renegotiation Act of 1951, as amended (setting forth minimum amounts subject to renegotiation), is amended (1) by inserting ", or \$5,000,000, in the case of a fiscal year ending after June 30, 1959" immediately after "1956" each place it appears; and (2) by adding at the end thereof the following: "For the purpose of determining, pursuant to the first sentence of this paragraph, whether or not the receipts or accruals from such contracts and subcontracts shall be renegotiated for any fiscal year, there shall be excluded amounts received or accrued from—

"(A) any fixed price of incentive-type contract or subcontract if such contract or subcontract, by its terms, is subject to price redetermination or price revision; and

"(B) any contract or subcontract awarded at a fixed price to the lowest acceptable bidder as a result of competitive bidding in which three or more responsive and competitive bidders have taken part."

(b) Section 105(f)(3) of the Renegotiation Act of 1951, as amended (relating to determination of amounts subject to renegotiation), is amended (1) by inserting ", the \$5,000,000 amount" immediately after "the \$1,000,000 amount" in the second sentence; and (2) by striking out "\$1,000,000" each place it appears in the last sentence and inserting in lieu thereof "\$5,000,000".

MINIMUM AMOUNT SUBJECT TO RENEGOTIATION

In our statement of July 1958 we said that "the 1956 amendments to the Renegotiation Act, in part, were of some benefit to smaller manufacturers, since the act was amended by increasing the minimum amount subject to renegotiation from \$500,000 to \$1 million", and this "probably should now be increased to \$5 million, since rising labor and material costs have somewhat nullified the beneficial effects of the million-dollar exemption"—hearings, page 14, Ways and Means Committee, July 29, 1958.

We further stated that:

We are of the opinion that the only value of renegotiation will be found in its application to the hundred or so largest military contractors who traditionally serve as sole source—noncompetitive—suppliers on complex items of defense material. For all other companies where competition is present, renegotiation serves little purpose other than to increase the burdens of accounting and administration. An examination of the records of the Renegotiation Board would reflect that the bulk of the dollars recaptured come from the top 100 defense contracting firms and that only meager sums are recovered from the smaller defense contractors. For this reason we think the country would be better off if the minimum amount were raised as high as \$5 million. At the same time, we would not press for such an amendment because there is not sufficient time to gather the detailed evidence necessary to prove the point. Therefore, it has not been included in our bill.

Data from the Board's records can assuredly be secured for consideration during this session of the Congress and the breakdown of total recoveries from firms doing less than \$5 million of de-

fense work annually can be secured to back up the contention that these account for a minor portion of recoveries. It will be obvious that the extent of paperwork and special recordkeeping bears most heavily on firms in the under \$5 million category.

UNDER \$5 MILLION MEANS SMALL BUSINESS

Businessmen have stated that it is a "fact of life" in manufacturing that a company must have total sales at a minimum level of \$10,000 to \$12,000 per employee in order to survive. Hence, it is possible that a company with 100 employees must make total sales of about \$1,200,000 or find itself in the red. Conversely, a company with more than 500 employees must have sales of around \$6 million, or more. Thus, the exemption of \$5 million for companies engaged in defense work will apply almost exclusively to small businesses. A few large companies, of course, would be among those who are primarily manufacturers of commercial products, firms whose defense sales are a secondary and minor part of their total activity. It will be observed, however, that sales at such levels will be outside the realm of the "sole source—noncompetitive—suppliers of complex items" mentioned in our statement last year. Whenever a large firm's participation in defense work is at a level below \$5 million it will almost always be in the area of supply and support items—blankets, clothing, detergents, typewriters, and so forth—where contracts are awarded by competitive bid and competitive restraints provide ample protection against excessive profit.

EXEMPTION OF CERTAIN TYPES OF CONTRACTS

Referring back to section 3 of our bill covering "minimum amounts" and "contract exemptions," we recognize that the chief criticism directed against our bill—H.R. 13561 and those that follow, 85th Congress, 2d session—arose from the proposal to fully exempt certain types of contracts in the manner then proposed. Specifically, the language of the 1958 proposal read:

(10) Any fixed price or incentive type contract or subcontract, except at the option of the contractor or subcontractor, if such contract or subcontract, by its terms, is subject to price redetermination or price revision; or

(11) Any contract or subcontract which has been the subject of competitive bidding, except at the option of the contractor or subcontractor, if such contract has been awarded to the low bidder among three or more responsive and competitive bidders.

In stating opposition to this proposal to the Members of the Committee on Ways and Means, Mr. Dechert of the Defense Department made two observations. He said:

If a contractor or subcontractor takes a small profit or a loss on a contract or subcontract, he may elect, for purposes of set-off, to submit the contract or subcontract to the renegotiation process along with his other renegotiable business. * * * On the other hand, if the profits of a particular contract or subcontract are large, he may elect to exempt that contract or subcontract from renegotiation. Such a provision does not appear desirable.

Since this option to include or exclude would have applied to all contracts of

the types noted for the largest as well as the smallest defense contractors, we have concluded that it might have placed some of the larger firms in a heads-I-win-tails-you-lose position—particularly, in one of those rare occasions where an attractive profit did arise from one of the types of contracts listed. That an excessive profit could arise in such a contract held by a small company seems next to impossible—first, because the total amount of the contract would necessarily be small; second, because the restraint of competitive bidding would preclude it in contracts awarded by such means; and finally, because the procedures of price redetermination would effectively trim any prospective excess profit out of the remaining contracts covered by this proposal.

It would be equally unfair, however, to attempt to correct this potential deficiency in the amendment proposal merely by eliminating the contractor option, that is, by making the exclusions of such contracts mandatory. To do so would be to remove from the weighing process of renegotiation any consideration of those contracts which are most likely to result in skimpy profits or perhaps losses. It would violate the principles of the act which permit, as we have noted, "a contractor's total business to be weighed in the balance, rather than merely to recover excess profits on successful contracts and ignore others."

Both Mr. Dechert and Mr. Coggeshall took note of this need. As Mr. Dechert indicated:

The renegotiation process applies, and properly so, to all contracts across the board.

And during his part in the hearing, Mr. Coggeshall stated:

I believe very strongly that if you are to have renegotiation, it is only fair to the contractor that you look at the results of the defense dollar, rather than just a particular contract. If we go back to the history, the very first act in 1942 just provided for renegotiation contract by contract, and it ended up that there was a great holler, because in the contracts in which they found excessive profits there was no offset of those which had low profits or losses.

AN EQUITABLE SOLUTION BY THE REVISION OF SECTION 3 OF OUR PRESENT PROPOSALS

In place of an optional exclusion of price redeterminable or competitively awarded fixed-price contracts—or a substitute mandatory exclusion—both circumstances which appear to have some defects, our study over the past year has led us to a substitute proposal the benefits of which will be confined almost exclusively to small business.

The essence of the proposal is this: Since price redeterminable contracts and other fixed-price contracts awarded as the result of competitive bidding are automatically subject to restraints which assure against excessive profits to small business, we propose that the receipts from such contracts be excluded only in determining whether a contractor shall be subject to renegotiation. However, if the combined receipts from other types of contracts—sole-source fixed price, cost-reimbursable, and so forth—on which excessive profits are more likely to arise exceed the proposed new minimum

amount, then the contractor will be subject to renegotiation and the process will, as heretofore, be applied "across the board."

This proposal would in no way affect any of the larger defense contractors. They would have to do all but \$5 million of their total defense business in the specific low-profit forms of contract delineated in order to gain exemption from the act—a near impossibility, but a blessing to the public purse if it should come about. In fact, for the middle-size companies, those firms doing perhaps \$15 to \$20 million per year in defense contracts, this proposal would create a very strong incentive to seek the low-profit forms of contract in an effort to gain possible exemption. We can only conclude that the result would produce a true economy in the defense effort while, at the time, removing an excessive burden from thousands of small firms who seldom engage in contracting except in these low-profit forms.

See exact language of our new proposal above as part of section 3.

For example, for a company to determine whether it will be subject to renegotiation after this proposed amendment, it will add its recipients and accruals from all other types of contracts—negotiated-firm-fixed-price, cost-reimbursable, fixed-fee or target-fee, and so forth—and if such receipts and accruals exceed the minimum amount, then the company will be subject to renegotiation on its entire business, including the types of contracts in (A) and (B), above.

BENEFITS OF OUR AMENDMENTS TO SMALL BUSINESS

First. Nearly all small businesses will be excluded from the direct effects of renegotiation.

Second. Small- and medium-size businesses will have strong incentive to seek the types of contracts which have built-in restraints against excessive profits.

Third. Excessive and burdensome recordkeeping will be eliminated for thousands of small companies.

Fourth. The uncertainties of waiting 2, 3, or more years for final action on renegotiation will be eliminated for the small firms least able to cope with this problem.

Fifth. Since the total caseload of the Renegotiation Board will automatically be reduced, fairer and faster action may be anticipated by the remaining large companies who will continue to be subject to the act.

COMMERCIAL ARTICLE EXEMPTION—SECTION 4

It is felt that the proposal contained in our bills in the 85th Congress—H.R. 13561 and its companion bills of 1958—was a fair and necessary proposal and that the same amendment should be offered at this time. The requirements of the present act are grossly unfair to small firms whose products compete directly with commercial type items of other firms but whose markets—because of location or sales pattern—are directed primarily to defense users.

A typical example is that of a fastener manufacturer who competes directly with the products of all other fastener manufacturers in the country. His prices are dependent upon the prices

charged by his competitors for their own wares. This is true even though the design and shape of a specific fastener may vary to a noticeable degree from a competitively offered product. This means that the buyer will weigh both price and prospective merits of the separate products of different sources of supply.

Yet the large competitor—with national distribution—is automatically exempted from the act because he is able to show that more than 35 percent of the sales of this item are to nondefense users. While the smaller firm, whose effort is concentrated in meeting defense needs, remains subject to the act because he does not have ability to develop nondefense markets through a program of national advertising and distribution and because he cannot show 35 percent of nondefense sales as to each separate article.

It is difficult to believe that Board objection to this proposal can be regarded as anything more than a self-perpetuating interest in maintaining domination over an area of business in which little, if any, recovery of so-called excess profits can be demonstrated.

MANDATORY EXEMPTIONS FOR STANDARD COMMERCIAL ARTICLES AND SERVICES

The language of the proposed amendment, which is the same as last year's proposals, is as follows:

SEC. 4. Section 106(e) (4) (B) of the Renegotiation Act of 1951, as amended (relating to mandatory exemption for standard commercial articles and services), is amended to read as follows:

"(B) the term 'standard commercial article' means, with respect to any fiscal year, an article—

"(i) which either is customarily maintained in stock by the contractor or subcontractor or is offered for sale in accordance with a price schedule regularly maintained by the contractor or subcontractor, and

"(ii) which two or more competitors can be shown to maintain in stock, or which is substantially similar to articles which two or more competitors offer for sale in accordance with regularly established price lists;"

SUPPLEMENTARY COMMENT ON DEPARTMENT OF DEFENSE COMMENTARY WAYS AND MEANS HEARINGS, JULY 29, 1958

With respect to the proposed exclusion of contracts awarded as the result of competitive bidding in determining whether a contractor shall be subject to the act, a comment by Mr. Dechert of the Department of Defense, although no longer directly applicable, should not go unanswered.

Mr. Dechert said that competitive bidding "in the field of complex items where costs cannot be accurately forecast do not guarantee against excessive profits." He added that:

In the field of aircraft, for example, perhaps three or more companies would actually bid in connection with a proposed contract for the development and production of a complex piece of equipment. This does not mean that the successful bid is based on accurate cost estimates. In the procurement of complex equipment, competition does not necessarily guarantee against excessive profits.

With due respect to Mr. Dechert, the competition to which he refers never is on the basis of a firm fixed price to the

low bidder. In fact, firm fixed price bids are regarded as impossible "for the development and production of a complex piece of equipment," for the very reason he states, the inability to make accurate cost estimates. Such competition is actually conducted as a competitive negotiation, evaluation being on the basis of proposals—not fixed price bids—which present varying approaches to problems of design, engineering, manufacture, and so forth, plus an estimate of cost and a proposed management fee. Such negotiated contracts would not have been excluded by the amendment proposed last year, nor would they be excluded from the computation provided for in this year's proposal.

We respectfully urge the Committee on Ways and Means to give serious and sympathetic consideration to our proposals.

Finally, we would like to call to the attention of the Members an editorial appearing in the Wall Street Journal on August 4, 1958, on the Renegotiation Act of 1951:

LOADED LANGUAGE

One of the troubles with the current debate over the Renegotiation Act for Government contracts is that it is wrapped up in some emotion-laden language.

This is the law which permits the Government, having once made a contract with a manufacturer to supply goods at a certain price, to later "renegotiate" it and reduce the amount it has agreed to pay. The law is usually described as one designed to recapture "excessive profits" on defense contracts.

Now "negotiation" is a respectable word and "excessive profits" a disreputable phrase. Almost everyone is opposed to the latter and in favor of the former. So a proposal to negotiate away excessive profits has a hard time getting any hard discussion.

But before Congress leaps into extending this wartime measure it ought to frankly recognize that this "renegotiation" in practice is pretty much unilateral. One party in the negotiation, the manufacturer, has a pistol at his head. This is especially true of industries, like aircraft manufacturing, that are heavily dependent on Government business. As a practical matter, the law simply means that the Government can later change its mind on what it agreed to.

And "excessive profits" is a phrase with no definable meaning. There are those who think any profit excessive, and some who think thus are no strangers to Government service. In practice it has come to mean any profit a manufacturer makes over and above what the Government now thinks he ought to have made.

Quite apart from that, there is room for a little thought about the familiar wartime attitude of "hang the costs" of making this-or-that; that attitude certainly wasn't discouraged by the knowledge that if costs were held down the Government would simply "renegotiate" any savings away from the manufacturer.

Nothing is so likely to spur economy and efficiency in operation as a reward for it; nothing discourages it like the knowledge that lower costs will profit the manufacturer nothing. It is not at all unlikely that a renegotiation law generally applied could increase the Government's cost of buying things.

At any rate, we think before Congress approves the bill out of habit it might reflect that it is endorsing a practice by the U.S. Government that would hardly be tolerated in any other buyer.

The text of our proposed amendments follows:

A BILL TO AMEND THE RENEGOTIATION ACT OF 1951 TO ASSIST SMALL BUSINESS, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

DECLARATION OF PURPOSE AND POLICY

SECTION 1. It is hereby declared to be the policy of the Congress, and the purpose of this Act—

(1) to encourage subcontracting in Government procurement to provide incentives for small and independent business concerns,

(2) to encourage prime contractors and subcontractors to subcontract the maximum proportion of their contracts and subcontracts to provide the proper profit motives for small and independent business concerns as the cornerstone of our free enterprise system, and

(2) to expand the Government procurement base by providing incentives and encouragement to small and independent business concerns.

The Congress hereby reaffirms its longstanding policy of assuring to small and independent business concerns a maximum proportion of the contracts for goods and services awarded by the various departments and agencies of the Federal Government.

ENCOURAGEMENT OF SUBCONTRACTING

SEC. 2. Section 103(e) of the Renegotiation Act of 1951, as amended (setting forth factors to be taken into account in determining whether profits are excessive), is amended by adding at the end thereof the following: "In determining excessive profits, favorable recognition must be given to economies achieved through contracting with small business concerns (as defined pursuant to section 3 of the Small Business Act); and a contractor or subcontractor who achieves economies through the programs of the Department of Defense, the Small Business Administration, or any other agency of the Government, to increase the share of such small business concerns in procurement, shall subject to other considerations set forth in this subsection, be provided incentive rewards through proportionately higher profit allowances."

MINIMUM AMOUNTS SUBJECT TO RENEGOTIATION

SEC. 3. (a) Section 105(f)(1) of the Renegotiation Act of 1951, as amended (setting forth minimum amounts subject to renegotiation), is amended (1) by inserting ", or \$5,000,000, in the case of a fiscal year ending after June 30, 1959" immediately after "1956" each place it appears; and (2) by adding at the end thereof the following: "For the purpose of determining pursuant to the first sentence of this paragraph whether or not the receipts or accruals from such contracts and subcontracts shall be renegotiated for any fiscal year, there shall be excluded amounts received or accrued from—

"(A) any fixed price or incentive-type contract or subcontract if such contract or subcontract, by its terms, is subject to price redetermination or price revision; and

"(B) any contract or subcontract awarded at a fixed price to the lowest acceptable bidder as a result of competitive bidding in which three or more responsive and competitive bidders have taken part."

(b) Section 105(f)(3) of the Renegotiation Act of 1951, as amended (relating to determination of amounts subject to renegotiation), is amended (1) by inserting ", the \$5,000,000 amount" immediately after "the \$1,000,000 amount" in the second sentence; and (2) by striking out "\$1,000,000" each place it appears in the last sentence and inserting in lieu thereof "\$5,000,000".

MANDATORY EXEMPTIONS FOR STANDARD COMMERCIAL ARTICLES AND SERVICES

SEC. 4. Section 106(e)(4)(B) of the Renegotiation Act of 1951, as amended (relating to mandatory exemption for standard commercial articles and services) is amended to read as follows:

"(B) the term 'standard commercial article' means, with respect to any fiscal year, an article—

"(i) which either is customarily maintained in stock by the contractor or subcontractor or is offered for sale in accordance with a price schedule regularly maintained by the contractor or subcontractor; and

"(ii) which two or more competitors can be shown to maintain in stock, or which is substantially similar to articles which two or more competitors offer for sale in accordance with regularly established price lists;"

EXTENSION OF RENEGOTIATION ACT OF 1951

SEC. 5. Section 102(c)(1) of the Renegotiation Act of 1951, as amended (relating to termination of the Act), is amended by striking out "June 30, 1959" and inserting in lieu thereof "September 30, 1961".

EFFECTIVE DATE

SEC. 6. The amendments made by section 2 and subsection 3(a)(2) of this Act shall apply only in respect of contracts with the Departments and subcontracts made after June 30, 1959.

Mr. ALLEN. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan [Mr. MEADER].

(Mr. MEADER asked and was given permission to revise and extend his remarks and include extraneous matter.)

[Mr. MEADER addressed the House. His remarks will appear hereafter in the Appendix.]

Mr. BOLLING. Mr. Speaker, I move the previous question on the resolution. The previous question was ordered.

The resolution was agreed to and a motion to reconsider was laid on the table.

Mr. FASCELL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 1321) to amend Reorganization Plan No. 2 of 1953.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 1321, with Mr. BOLLING in the chair.

The Clerk read the title of the bill. By unanimous consent the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule the gentleman from Florida [Mr. FASCELL], will be recognized for 1 hour and the gentleman from Michigan [Mr. HOFFMAN], for 1 hour.

The Chair recognizes the gentleman from Florida.

Mr. FASCELL. Mr. Chairman, I yield myself such time as I might consume.

Mr. Chairman, the bill before the Committee, H.R. 1321, has two purposes. First, to restore to the Administrator of the Rural Electrification Administration the authority to approve or disapprove loans to be made under the Rural Electrification Act of 1936. This loanmaking authority will not be subject to the supervision, direction, or any other control by

the Secretary of Agriculture. This is made clear in the language of the bill as amended by the Committee. The bill states that all of the functions and operations of the Department and the Administrator shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture. Up to this point it follows the language of the 1939 Reorganization Act. Then there is added the following to make it explicit as to what the purpose of the legislation is:

Except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture.

The language is quite clear on intent.

The second purpose is to reestablish in the Rural Electrification Administration functions which it had prior to the passage of Reorganization Plan No. 2 of 1953 and to modify the effect of that plan and the 1939 plan so that the Secretary of Agriculture will not be able to distribute the functions of REA and diversify them to other departments or officials within the Department of Agriculture.

We want to maintain the REA as an identifiable unit within the Department of Agriculture under the general supervision and direction of the Secretary of Agriculture, except when it comes to functions of loans. In that case the Administrator shall have the authority, without review or general supervision of the Secretary, to make or approve a loan.

The reasons for this legislation are very, very clear, and the issue is very, very simple. You can take your choice of administration. The bill proposes one way; others would have it the way it is. For my own part, I will take the legislation here recommended for reasons that are manifest.

In the consideration of the language of this bill and the reasons why this change should be made, I point out to you certain facts. First of all, under the operations of the Department and the Administrator under the reorganization plan of 1939, there were no orders, written or unwritten; no regulations, written or unwritten, that dealt with the administration of the Rural Electrification Administration or the Administrator in making his loans under the theory of the 1939 reorganization plan. The language of that plan stated this specifically:

SEC. 5. Department of Agriculture—Rural Electrification Administration transfer: The Rural Electrification Administration and its functions and activities are hereby transferred to the Department of Agriculture and shall be administered in that Department by the Administrator of Rural Electrification Administration under the general direction and supervision of the Secretary of Agriculture.

That is the way it operated until Reorganization Plan No. 2 of 1953 came

along, which was a general plan of operation involving not just the REA. And it is significant to note the change that took place immediately or shortly thereafter when this plan went into operation.

You find under the purview of the authority of reorganization plan of 1953 that all of the functions and operations of the REA are now transferred and rest in the Secretary of Agriculture, a tremendous difference in the concept of operation from the plan of 1939. The proof of the pudding is in the fact that the Secretary of Agriculture himself, acting under the purview of the 1953 reorganization plan, for the first time issued a regulation or order directing that all of the functions which had been transferred to him under the reorganization plan were, in turn, transferred right back to the Administrator of REA.

Mr. EVINS. Mr. Chairman, will the gentleman yield?

Mr. FASCELL. I yield to the gentleman from Tennessee.

Mr. EVINS. I would just like to interrupt the gentleman, who is making such an excellent talk, and say when this power was delegated to the Secretary, did he not propose to transfer it to a central agency, after he had promised the Congress that if any changes were to be made he would consult the Congress, and he failed to do so?

Mr. FASCELL. I believe the gentleman is correct, and that is in line with the facts which I will discuss in just a moment. I thank the gentleman for bringing that out.

As I say, the proof of the pudding, under the operation of the 1953 act, lies in the fact that the Secretary of Agriculture issued an order transferring all of the power and authority back to the Administrator of the REA for its operation, reserving unto himself, the Secretary, however, as the law required him to do, the right to take those privileges and functions back if he so saw fit. This is all covered in the testimony which will be found in the hearings held last year and this year on the same subject. As a matter of fact, then, under the 1953 plan from a practical standpoint, we had the REA as an identifiable unit in the Department of Agriculture operating independently, although technically and legally that would not be the case. And, everything went along fine; you heard no complaints about REA loans until when? In May 1957 or thereabouts, when suddenly comes to light for the first time a so-called informal loan review procedure. Now, mind you, it was not in writing; there was no written legislation, and yet it is a substantial procedural operation within the Department which heretofore had not existed. Now, you can draw your own inferences from that as far as I am concerned. Nevertheless I will state, as the testimony before the committee bears out, that this was purely an informal or oral arrangement. The new arrangement simply meant that whereas theretofore the Administrator of REA had the actual sole approval and authority of the granting or disapproval of a loan, that thereafter, on those loans which were in excess of

\$500,000, that they would then be subject to review by the Director of Farm Credit Services before the fact of final approval by the REA Administrator. I would call to your attention the specific testimony, and I believe it is important because it bears on the fact of which way you will choose to have REA operated and why this legislation is now before you. In the hearings on the legislation this year beginning on page 35, there is an examination by me of Mr. Scott, the Director of the Farm Credit Services, and I leave you to draw your own inferences from the testimony as to what changes had taken place in the loan operation of REA and why:

On page 4, Mr. Scott, you make the statement that the Administrator's authority for final approval of loans was and is not curtailed. Then you follow that up, however, by saying that you have an informal arrangement whereby loans in excess of \$1 million are reviewed by you.

Mr. SCOTT. That is correct.

Mr. FASCELL. Isn't that a modification of the Administrator's authority?

Mr. SCOTT. He received the delegation of authority from the Secretary when he was appointed to run the Rural Electrification Administration under the act, and to take actions on loans. That was not interfered with in any way. I have no authority to approve or deny loans. That authority has always been and is now in the Administrator. I review some of them. As to any application where I have any points that I think might well be brought to the attention of the Administrator, I do that. Never in any sense have I indicated that he should turn it down or approve it.

Mr. FASCELL. If this informal arrangement is not a modification of the authority of the Administrator, what is its purpose?

Mr. SCOTT. Well, it is largely to keep the Secretary's office informed, and me particularly, so that I can bring to the attention of the Secretary any points about the program of any nature that I think would be in keeping with his responsibilities.

Mr. FASCELL. If the Administrator had a direct delegation of authority under the Reorganization Act from the Secretary of Agriculture, why wouldn't he be automatically informed as to everything that is going on in this Department?

Mr. SCOTT. You mean the Secretary be automatically informed?

Mr. FASCELL. Yes. Isn't the REA Administrator a part of the Department of Agriculture?

Mr. SCOTT. Oh, yes, indeed.

Mr. FASCELL. Then why would you have to have an informal procedure to keep the Secretary advised? He is under the direct supervision of the Secretary of Agriculture, is he not?

Mr. SCOTT. That is right.

Mr. FASCELL. Then this informal arrangement is evidently to accomplish something else.

Mr. SCOTT. No; it is not.

Mr. FASCELL. Then I still don't understand the reason for the informal arrangement.

Mr. SCOTT. The pattern of operation in the Department of Agriculture is to have the several bureaus or agencies under the supervision and direction of a staff member, the Under Secretary and the Assistant Secretaries, and myself, and the administrative assistant, Mr. Roberts.

Mr. FASCELL. Now, sir, you are Director of Agricultural Credit Services?

Mr. SCOTT. That is right.

Mr. FASCELL. Under ordinary operation in the chain of command wouldn't Mr. Hamil's department be under your supervision and direction?

Mr. Hamil is the Administrator of REA.

Mr. SCOTT. That is right.

Mr. FASCELL. Then if that is true, why the necessity of expressing specifically an informal arrangement dealing with a particular amount of loans? You have jurisdiction over everything he does, don't you?

Mr. SCOTT. That is correct, but in any lending operation the way to keep in touch with the loan requirements out in the country, and the specific needs in the REA systems, to find out what their requirements are, what their progress is, and their estimates of future growth, and so on, you get that best from review of the loan dockets.

Mr. Chairman, I am going at length into this testimony because I believe it develops very clearly between the Administrator and the Director of the Farm Credit Services and myself in this interrogation exactly what the issue is. I continue quoting from the hearings:

Mr. FASCELL. I will agree with you, Mr. Scott, but couldn't you do that before you had this informal loan arrangement?

Mr. SCOTT. Yes.

Mr. FASCELL. All right, then, what are you doing now under the informal arrangement that you weren't doing before the informal arrangement?

Mr. SCOTT. Well, it is an opportunity in an orderly way to look at the loan folders. I didn't look at very many loan folders before. It was an arrangement to have these larger loans come across my desk, to keep me informed as to what the situation is.

Mr. FASCELL. In other words, what you are telling me, as I understand it, is the practice in the Department was, prior to the time that this informal arrangement was set up, that nobody reviewed Mr. Hamil's activities. For all intents and purposes, he was an independent operation, even though he was under the direction, supervision, and in the chain of command which flowed through you to the Secretary, so that there would be no misunderstanding about a definite review practice being established, you set up this informal review basis, even though you had the authority prior to that time to do the same thing?

Mr. SCOTT. That is right. Mr. Hamil and his predecessor, Mr. Nelson, and I frequently talked about matters, but this was thought to be a more orderly way and a very simple way for me to keep in touch with the problems and progress of the system out through the country.

Mr. FASCELL. I am still at a loss and I can't understand why it is necessary to have a particular administrative procedure identified as such when you had the authority to do the same thing all along.

This gives rise to speculation, at least, if not actual fact, that something is now being done that wasn't done before, and in order to do that you had to specify it even though it is informally.

I don't see how you can escape that, and this is, by the way, an oral proposition, there is no written regulation or directive?

Mr. SCOTT. That is correct.

Mr. FASCELL. So we have the same situation today as we did the last time we discussed this matter. Do I understand, Mr. Scott, that under the present procedure of this informal arrangement that Mr. Hamil has a completed docket prior to the time he comes to you, if it is in excess of \$1 million?

Mr. SCOTT. Yes.

Mr. FASCELL. And when the matter is brought to you, has he decided what action should be taken before it comes to you?

Mr. SCOTT. Well, I don't attempt to find out whether he has or has not. As a matter of fact, I am quite sure that sometimes I see the loan before he does. These dockets

represent the judgment of his staff people, including the men that work there in the General Counsel's office.

Mr. FASCELL. Maybe I better direct my questions to Mr. Hamil; would you inform me what the procedure is now. If a docket is presented, and I assume that it is a file folder, it starts out with the basic application and then goes with their—with staff studies, and what not, stuck on top of it?

Mr. HAMIL. Yes.

Mr. BROWN of Ohio. Mr. Chairman, will the gentleman yield for an inquiry?

Mr. FASCELL. I yield.

Mr. BROWN of Ohio. Is the gentleman reading from the hearings of 1958 or from the hearings of 1959, which have not been printed and are not available to the House? As far as the minority is concerned, they are not available here. From which hearings is the gentleman reading?

Mr. FASCELL. As I stated when I started, I began reading on page 35 of the printed hearings of 1959 on the legislation.

Mr. BROWN of Ohio. They just came over, I understand, and were delivered today. We have not even had an opportunity to read them.

Mr. FASCELL. However, you have had the galley proofs for a long time. Now, to continue with the testimony I was reading:

Mr. FASCELL. And finally somebody gets around to putting a final sheet of paper on top of it which says yes or no, Mr. Hamil; is that what you do?

Mr. HAMIL. I sign all loan dockets. That makes it a legal instrument, and in my absence, as I told you a minute ago, I delegate the authority. Let me put it this way: No loan has ever gone to Mr. Scott's desk that I didn't intend to make. I have made every one of them that went to Mr. Scott's desk.

Mr. FASCELL. That doesn't answer my question.

Mr. HAMIL. Well, what do you want, Mr. FASCELL?

Mr. FASCELL. I can appreciate what you are telling me. I have no quarrel with that. All I am trying to find out now is whether or not you actually, in writing, take final action on a loan prior to the time it is submitted for review.

Mr. HAMIL. I have in many cases, I can any time I want to.

Mr. FASCELL. All right.

Mr. HAMIL. I am the Administrator, Mr. Congressman, and I can sign those dockets any time I want to.

Mr. FASCELL. When you say sign a docket, just what does that mean; tell me.

Mr. HAMIL. That makes it a legal document obligating the United States of America.

Mr. FASCELL. In other words, it is the final paper which indicates that the applicant is entitled to the money?

Mr. HAMIL. Yes, it is a commitment, Congressman. There may be a stop order provision saying that the borrower must meet certain qualifications before we will release the funds.

Mr. FASCELL. I see. But for all intents and purposes it is the final commitment?

Mr. HAMIL. Yes.

Mr. FASCELL. Now, all I am trying to establish is the procedure. Do I understand that the final commitment in all cases involving \$1 million is or is not signed by you prior to submission for review under this informal arrangement you have?

Mr. HAMIL. Basically, they have not been signed before I send them over.

Mr. FASCELL. All right, then, any loans for \$1 million are submitted to you and then they are signed by you?

Mr. HAMIL. Yes.

Mr. FASCELL. That is the procedure?

Mr. HAMIL. Yes, as Mr. Scott has told you, Mr. Congressman, it has been an informal procedure for discussion purposes. This is no small amount we are dealing with.

Mr. FASCELL. I didn't say it was. I don't mean to be derogatory at all. Now, isn't it a fact, Mr. Hamil, prior to 1957, when the first informal arrangement was made, that the final commitment was signed by you without prior review?

Mr. HAMIL. I discussed many loans with Mr. Scott prior to that.

I am still bearing on the question because I want a direct answer.

Mr. FASCELL. I am sure you did, and with other people, but the basic difference between your operation prior to 1957 and today is that in those loans under which this informal arrangement applied, you do not actually sign the final commitment until after the review has been made?

Mr. HAMIL. That is basically right.

Mr. Chairman, I should like to tie that testimony in with a little bit of testimony that came out of the last hearings, and I refer to page 206 of the hearings on the legislation in the last year, when a similar bill was before the committee.

Again the interrogation was of Mr. Scott by Mr. Lanigan, and I quote from page 206:

Mr. LANIGAN. I just wanted to get back to this construction that you had—this discussion you had, whether you would review the loans before they were made rather than after they were made.

Mr. SCOTT. Yes.

Mr. LANIGAN. Why were you to review them before?

Mr. SCOTT. Well—

And this is the issue, as I see it—

Well, if you are going to have any influence on policies on a loan, certainly the time to discuss it is before the loan is made.

Mr. Chairman, I do not know how you can document any clearer than that what the intent is, and what the change is that has taken place in the operation of the Administrator of the Rural Electrification Administration within the Department of Agriculture under the procedure that exists under the reorganization plan of 1953 and the Secretary of Agriculture's loan-review policy.

Now, it has been said, and it probably will be said, that by this bill we are starting some kind of precedent which is an administrative monstrosity. I would say in answer to that, and I point this out in the affirmative discussion on this legislation, that when Congress set up the REA with the policies inherent in that legislation, they provided that an Administrator should be elected for a 10-year term. Everybody here understands why that was done. It was to free the Administrator from outside pressure. All we are seeking to do in this legislation is to be sure that even though certain administrative changes have been made which are a benefit for accounting purposes and budget purposes and personnel purposes and other administrative purposes, we do not destroy the original intent that Congress had in setting up this act as far as the

independent loan actions of the Administrator are concerned; and we do not inflict upon his independent judgment any policies or criteria which were not spelled out by the Congress in that act. That is all we mean to say.

The same procedure with respect to the independence of units within a department exists in other cases. They are spelled out in the reports. There is nothing unusual about it. Other officers are given independence with respect to certain functions in which they have the sole authority despite the fact that they are in a chain of administrative command in a larger department.

Mr. Chairman, in conclusion I submit there is a very real reason that since 1957 there has been considerable question around the country with the REA's and the cooperatives all of whom support the legislation. I believe it is well founded. I believe this legislation provides a moderate approach to correct that problem, and I submit it should be adopted.

Mr. McGOVERN. Mr. Chairman, will the gentleman yield?

Mr. FASCELL. I yield.

Mr. McGOVERN. I want to associate myself with the very fine remarks that the gentleman from Florida has just made. In that connection, a few minutes ago, it was charged by the distinguished minority leader in citing the committee report, for authority, that the report stated the 1939 act had actually transferred the loanmaking authority from the Administrator of the REA to the Secretary of Agriculture, but in reading the report since that time, it becomes clear to me, and I think to the gentleman, that the report says just the opposite.

If you will turn to page 3 of the committee report, this is what we read:

While the 1939 plan transferred the functions and activities of the Rural Electrification Administration to the Department of Agriculture, it continued the administration of these functions and activities in the Administrator of Rural Electrification Administration.

Mr. FASCELL. I thank the gentleman for pointing out what the committee report had to say, and I certainly agree in that analysis of it.

(Mr. FASCELL asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The gentleman from Florida [Mr. FASCELL] has consumed 25 minutes.

The gentleman from Ohio [Mr. BROWN] is recognized.

(Mr. BROWN of Ohio asked and was given permission to revise and extend his remarks.)

Mr. BROWN of Ohio. Mr. Chairman, I yield myself such time as I may use.

Mr. Chairman, I have listened with a great deal of attention to my very able and very learned colleague on the committee, the gentleman from Florida, [Mr. FASCELL], for whom I have gained a great admiration and respect and also a great deal of affection throughout the time we have been serving together. He is indeed a very, very able pleader at the bar. I want to congratulate him upon being skillful enough to present a

bad case in a rather favorable light to this body.

I would like to discuss with you, if I may, for a little while some facts about this situation and about this legislation, and about the background of the Rural Electric Administration.

In the first place, I think it should be written indelibly in the RECORD of this House at this time that a great majority of the membership of this body on both sides of the aisle support the idea and the ideals of the REA. I think it should be made clear that I have throughout the years of service in Congress, and it has been a long, long time, as most of you know, supported REA appropriations and all beneficial laws for the purpose for which REA and later the telephone arrangement under REA were enacted.

I think it should also be made clear in the very beginning that the present administration now in control of the executive branch of the Government has been very much interested in the welfare of REA and interested in the services it has rendered.

In this connection I would like to point out as a matter of record and as a matter of fact that during the 6 years of the present administration, from 1953 through 1958, there was \$1,545 million Federal funds made available for REA purposes, while during the 17½ years, or nearly 18 years in which our Democratic friends controlled the administration there was a total sum of \$2,954 million made available for the use of REA.

I refer to the minority report which appears on page 25. May I express the hope that before you vote on this particular measure you at least take the time to read the hearings. They are available just now. They came in after I took my seat at the table in charge of this bill; and that you read the report, and especially the minority report. The facts are that when REA was established back in 1936 it was created as an independent agency of the Government, coming under the direction and control of the office of President of the United States. President Roosevelt back in 1939, realizing the pressures that were upon him because of this great multitude of independent agencies that had been placed under the office of the President, in Reorganization Plan No. 2, which was submitted to Congress at that time by him, requested that this independent agency be transferred and put under the jurisdiction, direction and control of the Secretary of Agriculture.

There was no opposition to the reorganization plan submitted by President Roosevelt by those Members who oppose this bill today and who served here then.

A little later came the first Hoover Commission, which was instituted by a unanimous vote of both the House and the Senate to act as an arm of the Congress. In their findings reported to the Congress and to the President they said we should transfer more of these independent agencies out of the Office of the President of the United States to the different Cabinet officials for operational purposes, for supervision, so that the President himself would not be required to pass upon these matters.

You and I are practical people; I see some of my friends today who are very realistic in politics. I do not believe anyone will contend that when a so-called independent agency is placed under the President of the United States that the President of the United States and the White House Office does not have something to say about the policies that are followed and the actions that are taken by the heads of these independent agencies. So, really, when we get down to cases, when we discuss this situation realistically as men and women who have had some experience in public life, persons who are not as naive as my friend from Florida would like to have some people believe, it does not make too much difference in the end, in the summation, whether it is the Secretary of Agriculture or the President of the United States who may be consulted, who may review, who may take a look at the loans being made or the money being obtained from the Federal Treasury by any agency of Government which may come under their jurisdiction, regardless of which it may be. I think most of you will agree that this is rightfully so; because, after all, the Cabinet officers, out of their own confines of jurisdiction, the President within his, have the responsibility to the people of the country to know what the cost of any agency or any activity of Government may be. I believe if you will check the records and the reports that have been referred to here, and read these hearings—and we had voluminous hearings a year ago, or almost a year ago, and again shorter hearings this year on this subject—you will find there a rather plain story about this whole situation, something that you want to think about; and that, my friends, is that there was not one single word or one iota of testimony given or taken that the Secretary of Agriculture had ever at any time interfered in any way with the Director of REA in making these loans. Seemingly, the only thing the Secretary of Agriculture is guilty of is inquiring for information, getting information that will be of benefit to him and the President of the United States and which I hope will be of some benefit to the Congress of the United States, which, after all, has to pass upon the appropriations and the expenditures of public funds.

No; I took particular interest in it to inquire of every critical witness who came before our committee either last year or this year if they could point to a single instance, Mr. Chairman, where the Secretary of Agriculture had interfered in any way with the making of these loans. I heard the dialog that went on between the gentleman from Illinois and the gentleman from Indiana about an REA loan that was made or was not made down in southern Indiana. I am sorry the gentleman from Illinois has not had the opportunity to read the hearings. But I recall very distinctly that the testimony showed the request of the REA cooperative for one of the loans had been withdrawn and the loan was not being requested, had not been asked for, and it was not rejected or not turned down by either the REA Administrator or by the Secretary of Agriculture.

Now, what have we here? We have only the expressed fear on the part of somebody, somehow, that perhaps somebody in the distant future, some Secretary of Agriculture, or if it goes back to the Office of the President, if you transfer it there, some President might say that this loan is not justified and should not be made.

The facts are, and we ought to discuss facts when we consider legislation of this kind, that this Congress accepted without the opposition of those who now propose the legislation, the reorganization plan not only of 1939, as I mentioned a moment ago, but also Reorganization Plan No. 2 of 1953.

The facts are, whether you like it or not, if you will read this bill the language speaks for itself that it is now being proposed by the sponsors of the legislation that you amend—both Reorganization Plan No. 2 of 1939 and Reorganization Plan No. 2 of 1953. If as I understood the gentleman from Florida to say really all this trouble springs from the reorganization plan of 1953, I ask you in the name of commonsense why was it necessary or advisable or wise to write legislation that would also amend the reorganization plan of 1939?

No; the facts are as I said a moment ago, someone has a fear that a future Secretary may overrule some loan.

The facts are, Mr. Chairman, that we now have more than 95 percent of the farms of this country being served with electricity, either from REA, and it is a glorious record that the REA has written in this field of activity, or by private power companies. The facts are that 75 percent or more of the loans that are now being made under REA are for the purpose of extending power facilities into urban and suburban areas for use not only by householders but for the use of industry.

The facts are, in my opinion, that sometime, someday, the Congress of the United States, which created this great agency, must take a look at it once more to see just what we should do in the future about this matter.

Now, it is my contention, it is my belief, in view of the facts, in view of the record, that there is not one single bit of testimony in these hearings that shows—and no witness could point to a single incident—where any damage has been done in any way to REA or where any loan has been rejected by the Administrator either with or without the review or the suggestion of the Secretary of Agriculture or any of his deputies. Consequently, I cannot understand for the life of me, having sat for weeks and weeks through these hearings last summer and again this spring, why this legislation is either necessary or wise. Why some Members of this House who marched up the hill, if you please, in 1939 and again in 1953 to give us a better administrative setup for our Government, a better control of the functions of Government, now want to turn around and march down the hill again and disintegrate and destroy, or at least maim and injure the very agency of Government that they created, the very methods that they said a short time ago were good

and right and were proper, just does not make sense. There is no reason in the world that I know of that any member of any REA cooperative should have any fear that any of their proper activities will be interfered with in any way by this or, I believe, by any other administration; by this Secretary of Agriculture or by this President or by any other Secretary of Agriculture or any other President who may come from my party or from yours. So, I cannot support this bill, much as I believe in the purposes of the Rural Electrification Administration and much as I have supported that organization throughout the years and expect to continue to support it in all of its proper activities.

Mr. CURTIS of Missouri. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Ohio. I yield to the gentleman from Missouri.

Mr. CURTIS of Missouri. I want to thank the gentleman for his statement and ask him a question. I have read over this report and I do not believe I have ever seen a report from a committee of quite this nature, because the report itself takes up only about four pages plus, but then the bulk of this report seems to be a statement of Clyde T. Ellis, general manager of the National Rural Electric Cooperative Association. He is not a Member of Congress. Was he a witness and was he interrogated?

Mr. BROWN of Ohio. He was a witness before the committee back in 1958. He filed a statement.

Mr. CURTIS of Missouri. Why would 11 or 12 pages of this report—and it is only a short report—be taken up with his statement? I have never seen a committee report of that nature.

Mr. BROWN of Ohio. The gentleman has asked me a question that I, of course, cannot answer, because I did not prepare nor did I sign the majority report. If the gentleman will turn the pages, he will find that I prepared and I filed the minority report, which starts on page 24.

Mr. CURTIS of Missouri. May I ask this further question. May we presume, then, that the majority is endorsing this statement of Mr. Ellis?

Mr. BROWN of Ohio. The gentleman will have to decide that for himself. I do know, of course, that Mr. Ellis is not a Member of Congress. He was a Member of Congress. Probably he is in a much more prosperous position and condition today than the average Member of Congress. I do know that he heads a great organization and is interested in legislation of this type. I do know that he has been a very vehement witness in his testimony, yet he did not point out a single instance or submit to the committee a single bit of direct evidence or even indirect evidence that in any way the Secretary of Agriculture had interfered with the director of REA in making loans. And I want to emphasize for the record, the Assistant Secretary of Agriculture, as well.

Mr. YOUNGER. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Ohio. I yield to the gentleman.

Mr. YOUNGER. The gentleman is a member of the Hoover Commission. Is

this bill in line with the Hoover Commission recommendations?

Mr. BROWN of Ohio. This bill?

Mr. YOUNGER. Yes.

Mr. BROWN of Ohio. No. Reorganization Plan No. 2 of 1939 was sent up by President Roosevelt before the Hoover Commission became active. Reorganization Plan No. 2 of 1953, as well as the other, are both in line with the Hoover Commission recommendations that were made by the first Hoover Commission.

Mr. JONAS. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Ohio. I yield to the gentleman.

Mr. JONAS. Considering the fact that since its organization in 1935 and up to 1958 the U.S. Government has loaned \$3.8 billion for this program, is there anything inherently wrong in having a Cabinet member supervise loans that are in excess of \$1 million? It strikes me, since we already owe more money than all the nations of the world put together and we are facing a \$12 or \$14 billion deficit this year, it is high time that somebody began to supervise some of the lending agencies. Is there anything inherently wrong with this?

Mr. BROWN of Ohio. I get the import of the gentleman's question. I certainly do not feel so. As I stated a moment ago, I feel there is some responsibility on the part of the administration, and certainly of the Cabinet officers under whose jurisdiction these different agencies come, at least to obtain information and be able to furnish it to the Congress of the United States and to the American people.

Mr. JONAS. Am I correct in my understanding that the purpose of this legislation is to take away from the Secretary of Agriculture any authority to inspect, examine, supervise or give advice about the making of loans in excess of \$1 million?

Mr. BROWN of Ohio. That is a rather broad coverage but, as I read this bill, the Secretary of Agriculture would have no control, no right of review, no right of resurvey or study or right to comment on any loan that the Director of the REA might desire to make. He would be a free agent, on his own, absolutely.

Mr. HOFFMAN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Ohio. I yield to the gentleman from Michigan.

Mr. HOFFMAN of Michigan. On page 126 of the hearings of 1958 I find this question asked of Mr. Ellis:

Well, on page 2 you say there is a master plan to drain REA of its life and vitality?

Mr. ELLIS. Yes, sir.

Mr. HOFFMAN. You are referring to Mr. Benson; are you?

Mr. ELLIS. I am referring to the master plan as outlined first by the—

Mr. HOFFMAN. Are you referring to Mr. Benson?

Mr. ELLIS. As being a party to it, yes.

Mr. HOFFMAN. Who else is in it, briefly? Just the names and the positions they hold.

Mr. ELLIS. The plan was outlined, the first time I saw it, by the task force on lending agencies of the Hoover Commission. Now the Hoover Commission did not adopt the task force recommendations but the task force made four recommendations.

Mr. HOFFMAN. Just a minute. Now, Mr. Chairman, I do not want to take a lot of time. If you will just answer my questions, we will get through very quickly.

Is asked you who besides Benson participated in this master plan as you term it, to destroy REA?

I would like to have the Members notice this vile, wicked conspiracy here that Mr. Ellis seems to see somewhere. Here is his answer.

Mr. ELLIS. The power companies.

Mr. HOFFMAN. Well, name them.

Mr. ELLIS. Mr. Eisenhower, President Eisenhower, Mr. Benson, Douglas McKay, and now I fear Secretary Seaton.

The gentleman says it is the power companies. I ask the gentleman from Ohio, did you ever hear of President Eisenhower being a power company before?

Mr. BROWN of Ohio. I never knew he was engaged in that activity. I thought, before he became President, he was a general. But I may have been misinformed.

Mr. HOFFMAN of Michigan. I wish the gentleman would read this record again.

Mr. BROWN of Ohio. I shall check it very carefully. I heard that testimony, participated in it.

Mr. HOFFMAN of Michigan. Here is the question:

Anyone else?

Mr. ELLIS. Yes; the Director of the Bureau of the Budget.

He is in this vile conspiracy. Does the gentleman think Mr. Ellis must have been telling these folks about our plans?

Mr. BROWN of Ohio. I want to save some time for other gentlemen, if I may.

Mr. HOFFMAN of Michigan. Let me go a little further. The gentleman had something to do with the Hoover Commission?

Mr. BROWN of Ohio. Slightly.

Mr. HOFFMAN of Michigan. The gentleman was on the committee when it went through Congress.

Mr. HOFFMAN. In fact, everyone who is opposed to your recommendations?

Mr. ELLIS. Oh, no. I don't say that at all.

Mr. HOFFMAN. You have gotten to the Director of the Budget, now. Who next?

Mr. ELLIS. Everybody who has participated in trying to carry out the plan as outlined by this task force of the Hoover Commission on lending agencies, who has done any or several of these things to effectuate the plan as laid out there.

I cannot understand how my friend from Ohio would be in a deal of that kind.

Mr. BROWN of Ohio. I follow the gentleman's leadership on my committee, and he may have misled me at some time in the past.

Let me conclude that the administration that Mr. Ellis is speaking about was the same administration that furnished to the Rural Electrification Administration in funds more than 50 percent as much money in 6 years as did the preceding administrations in practically 18 years.

Mr. FASCELL. Mr. Chairman, I yield 10 minutes to the sponsor of this legislation, the gentleman from Illinois [Mr. PRICE].

(Mr. PRICE asked and was given permission to revise and extend his remarks.)

Mr. PRICE. Mr. Chairman, this bill is designed to do two things. First, it reestablishes the loan-making authority of the Rural Electrification Administration Administrator. Second, it maintains in the Department of Agriculture for centralized administrative purposes the Rural Electrification Administration.

The Congress, when it passed the original REA Act in 1936, was explicit in its intent that this would be an independent agency with loan-making authority vested in the Administrator. This is typical of the action of the Congress in the establishment of all loan-making agencies within the Federal Government. If there is a superior authority placed over the REA Administrator in the loan-making power that he holds, it would be the only case in the Government where such control exists.

As the sponsor of the bill, I do not want to see the agency taken from the Department of Agriculture, where it has had good administration, where it is in a good home, and where in the Congress it comes within the jurisdiction of a committee, the Committee on Agriculture, which has always been good to the Rural Electrification Administration and has sponsored it and has made it a valuable agency for the rural segments of American society.

It has been testified that 95 percent of rural homes, of the farms of the country, have been electrified under this program, so no one questions the value of the Rural Electrification Administration.

I want to be perfectly honest about the argument that arises over whether the 1939 Reorganization Act gives the Secretary of Agriculture loan-making authority over the Administrator. Perhaps it did.

The point at issue here, however, is that there may be a question whether it does or does not. There is reason to believe that possibly it does. But, that is not an issue here because this authority was never exercised by the Secretary of Agriculture. It is significant, I think, that the first time it was exercised was in May of 1957, almost 4 years after the Reorganization Plan No. 2 of 1953, and it is significant that this change in the loanmaking operations of the agency came during the controversy over the Indiana case, which was explained sometime earlier in the afternoon by the gentleman from Indiana [Mr. DENTON].

It has been stated that no loans have been withheld. That may be perfectly true. But, the Indiana loan had not yet been made. There is evidence that many loans have been delayed. But, I am not arguing that point.

The Congress in 1936 set the REA up as an independent agency and the great stress in those days was that it would forever be free of politics. I think one way of keeping it free of politics is by vesting the loan authority in the Administrator. After all, what do we on this side of the aisle have to gain today by having it vested in the Administrator when he is appointed by the present ad-

ministration? But, we think by making him an independent agent with full loan authority, he has a degree of independence that will permit him to keep his agency completely free of politics. That is our desire here.

It has been stated here by my good friend, the distinguished gentleman from Ohio [Mr. BROWN], that this legislation is born of fear. Well, perhaps, there is some degree of truth in that. But, that fear was generated at a time when there was cause for fear—at the time of the Indiana case. How do we know how many loans might have been involved, in the same manner as the Indiana case today had not this legislation been introduced last year to serve notice upon the Department that Congress was watching and that Congress had a voice in this matter.

It has been said that there was no opposition to the Reorganization Plan No. 2 in 1953. Well, there was opposition to it. Many distinguished Members of Congress were opposed to it, and if I could read the names without violating the rules of the House here this afternoon, I am sure some of the gentlemen of the House would be surprised to find who the opponents were to this plan. They insisted then and they still insist today that Congress would not have approved Reorganization Plan No. 2 of 1953 if they had not had positive assurances that there would be no major change in the administration of the agency unless it was first cleared by the Congress.

I would consider that changing the rules as to the loanmaking authority is certainly a major change. Some of these Members of the Congress on both sides of the Capitol feel there has been a breach of the promises that were made in 1953. They feel that the assurances given to them at that time have not been fulfilled. You will read that in your committee report.

There is plenty of reason for the Congress to act in this matter, to preserve its prerogative, and to have something to say about this agency of Government. This legislation merely reaffirms the original statutory authority of the Rural Electrification Administration and reaffirms the intent of the Congress that the Administrator himself shall be the final authority in the granting of loans. What is so strange about that? He is the man who makes all of the arrangements. You know the REA Administrator is a pretty active man. He travels into every section of the country. He attends the regional meetings and the State and district meetings. He sits down with all the co-op leaders throughout the country and talks over with them their plans for future expansion and their plans for new cooperatives. I think we would be taking a great deal from him if he is not able to speak authoritatively to them, when they discuss with him the possibility of a loan to expand their operations.

There might be frequent occasions, unless we do something now, to keep this authority within the hands of the Administrator, when some assurance that he gives to these co-ops in keeping with what he believes to be within the regu-

lations of his organization, should a superior be able to repudiate implied agreements with applicants. No one wants to take the agency out of the Department of Agriculture. We are very happy that it is there. We think it has prospered there. It prospered there long before we had the regulation of May 1957. This agency has lived a long time within the intent of Congress, and it is a very strange thing that suddenly this act is required to change the entire loan procedure. I think what we need to protect the REA is the enactment of this legislation to fulfill the intent of Congress.

There was much consideration given at the time of the enactment of the original act, to make certain that this would be one agency that would serve the rural segment of our society without regard to politics. I concede that the Indiana case, being the possible cause for this order, would bring in the element of politics. That would be only the beginning. There would be many more to follow that.

Let us keep this agency free from politics. Let the Administrator have final authority, as Congress originally intended that he have.

The CHAIRMAN. The time of the gentleman from Illinois [Mr. PRICE] has expired.

Mr. HOFFMAN of Michigan. Mr. Chairman, I make the point of order that there is no quorum present.

The CHAIRMAN. The Chair will count.

Mr. HOFFMAN of Michigan. Mr. Chairman, I withdraw the point of order.

Mr. MEADER. Mr. Chairman, I yield 3 minutes to the gentleman from Maine [Mr. McINTIRE].

(Mr. McINTIRE asked and was given permission to revise and extend his remarks.)

Mr. McINTIRE. Mr. Chairman, my interest in this legislation today stems from two sources: First, all the REA cooperatives in Maine are within my congressional district. I have followed their progress with a great deal of interest. I wish not only to commend the management of the cooperatives but also those who have considered their needs in new applications within the last few years, which applications have been approved and a fine job done. Second, my interest stems also from experience which I draw upon in the field of agricultural credit.

I am very much disturbed at what appears to be a challenge to the principle of review of loans on the part of those who have areas of responsibility in connection with those loans. I think it is an important principle. It is a basic part of the sound lending done by our agricultural lending agencies. The principle is that when loan applications reach a certain level they must be reviewed by those in higher authority.

This legislation, in my opinion, strikes at the very heart of that principle. In my experience with agricultural credit I have found the principle most sound. I shall oppose this legislation, because I

think sound review is a very important part of constructive lending.

I subscribe to the principle that if there is invested in the authority of the Secretary a responsibility, then certainly administratively there should be room enough in the minds of us all that he should discharge that responsibility regardless of who the Secretary might be.

During my service in Congress I have worked objectively to keep lending functions of Federal agencies out of partisan politics.

I regret that there is nothing in the background of this legislation that brings me to any other conclusion than that it is inspired as a partisan attack on the present Secretary of Agriculture.

I regret that leadership in REA and in Congress stoops to these tactics. It is not the way I wish to handle REA affairs.

(Mr. McINTIRE asked and was given permission to revise and extend his remarks.)

Mr. FASCELL. Mr. Chairman, I yield 5 minutes to the gentleman from Indiana [Mr. WAMPLER].

(Mr. WAMPLER asked and was given permission to revise and extend his remarks.)

Mr. WAMPLER. Mr. Chairman, I speak to you at this time on a subject which is very important to all of us. A great piece of legislation was enacted in 1935 which gave new life to the man who lives in the rural area; it gave him equality with those in other fields of endeavor; that was the establishment of the Rural Electrification Administration. From that came an appeal, an appeal to the private-power industry to create and generate electricity and carry it into these rural areas, but the appeal did not meet with the response that was necessary. There followed the formation of the rural electrification cooperatives. They have gone a long way in giving the farmer in the rural areas the power he needs. Now they have taken a further step in trying to meet those needs.

I speak for the State of Indiana, where we have found that the cost of electricity to the REMC's the Rural Electric Membership Corporations, was somewhat excessive. They had the idea they would like to broaden out a little to the point where they could generate their own electricity. Immediately the cooperatives appealed to the REA to get a loan of \$42 million to activate a plan in the southern section of the State. The Governor of the State of Indiana brought his forces into action.

He rounded up three public utilities commissioners, indoctrinated them as he saw fit, sent them to Washington to confer with the President of the United States and with the Secretary of Agriculture and defeated the thing that Indiana was striving to procure, a plant to generate electricity in the southern section of that great State. There existed a rivalry between private industry and public industry, that was politically instigated to defeat a project designed to meet the needs of the public.

Yes; this could occur in your State. It did happen in mine.

We in Indiana have a unique situation but it is no different from a situation that might face you in your State. We are optimistic, progressive, and appreciative of the things that have happened in the past with the REA.

We also feel that the security and the defense of America must be built in this age where we face an epoch of power and an era of science and we feel we cannot be retrogressive and still build that program by 1965.

When you evaluate the situation you must go back to the farmers in your own districts. They are the ones who will express their views to you and they will cite the case in Indiana as the reference, whether the farmer hails from the Gulf of Mexico to the Great Lakes or from the Atlantic to the Pacific. There is a feeling that the State of Indiana has been discriminated against by placing REA loan responsibility in the hands of the Department of Agriculture without the jurisdiction of the Administrator of the REA; and, therefore, a most beneficial program cannot be maintained without such amendments as we are considering today.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. WAMPLER. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. I want to congratulate the gentleman from Indiana as a new Member in making such an excellent speech and a fighting speech in behalf of the farmers of his district, State, and the country.

Mr. WAMPLER. I thank the gentleman.

Mr. HOFFMAN of Michigan. Mr. Chairman, I make the point of order that a quorum is not present.

Mr. FASCELL. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. BOLLING, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 1321) to amend Reorganization Plan No. 2 of 1953, and come to no resolution thereon.

FAIR LABOR STANDARDS ACT

(Mr. ADDONIZIO asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ADDONIZIO. Mr. Speaker, last year we celebrated the 20th anniversary of one of the great pieces of humanitarian legislation enacted during New Deal days. The Fair Labor Standards Act has helped millions of people in the economy at the bottom of the economic ladder, who do not enjoy the protection of unions, to receive a minimum wage which helps them to receive at least subsistence income.

The Fair Labor Standards Act has also put a ceiling on hours, so that the 40-hour week has become a standard in the Nation. The Fair Labor Standards Act has made a great contribution to the economy. It has increased the purchas-

ing power of the American people and in part made possible the great economic expansion which the Nation has enjoyed over the postwar years.

But we have been amiss in not taking full advantage of the possibilities of the law. During the 20 years while the law was in effect we have increased the minimum wage only twice and we have failed to extend the coverage under the law over these 20 years. Consequently, despite the years of successful operation under the Fair Labor Standards Act, we find that some 20 million employees working in commerce are still not covered by the provisions of the law.

We have been particularly amiss in not extending the benefits of the law to millions of employees who need the protection of the Fair Labor Standards Act most. The law does not cover the 8 million employees in retail trade nor are the 4 million employees in services and related industries subject to the coverage of the Fair Labor Standards Act. I believe that the workers in these industries urgently need the protection of the Fair Labor Standards Act and that we must extend the protection of the Fair Labor Standards Act to these employees.

I do not favor Federal legislation to regulate wages in small local business. It would seem fair to me, therefore, that we exempt from the provisions of the Fair Labor Standards Act those retail and service establishments which are purely local in nature. But I cannot see the justice of failing to cover employees working in multi-million-dollar establishments and for chains which have hundreds and sometimes even thousands of outlets in practically every State of the Union.

A recent study by the U.S. Department of Labor shows that many of these multi-million-dollar retail and service corporations are the ones that are most guilty of paying substandard minimum wages. I believe that the protection of Fair Labor Standards Act should be extended to at least an additional 10 million workers throughout the country.

But not only is the coverage of the Fair Labor Standards Act entirely inadequate, the minimum wage in itself is outmoded. It is almost 4 years since Congress voted the dollar an hour minimum wage. I believe that it was inadequate then and it certainly is way behind the times today. The growth in American productivity also makes it possible to support higher minimum wages without hurting the economy.

As a matter of fact, it is a basic need of our economy to increase minimum wages which help boost the purchasing power of the broad masses of the population and support our ever-increasing capacity to produce. Boosting the minimum wage to \$1.25, therefore, as provided by my bill, H.R. 312, serves not only humanitarian interests but is a basic need for a healthy and growing economy.

Mr. Sol Stetin, an able vice president and regional director of the Textile Workers Union of America, has kindly furnished me with an estimate of the impact on the economy of New Jersey if the minimum wage were raised to

\$1.25 per hour and coverage broadened. The survey was compiled by the research department of the AFL-CIO. An estimated 180,000 low paid workers in New Jersey would be affected. The required increase in total wage and salary payrolls in New Jersey would be less than one-half of 1 percent.

Although small as a proportion of total payroll, the increase would be considerable addition to the purchasing power of the State's lower-income families. In dollar terms, the increase in purchasing power for New Jersey's low-income workers would be an estimated \$49 million a year.

As Mr. Stetin observes, these facts constitute a convincing and forceful argument for immediate adoption of the pending legislation.

This year we will celebrate the 21st anniversary of the Fair Labor Standards Act. This is the year when the Fair Labor Standards Act should reach full maturity. A proper way to celebrate it is to extend the coverage to workers in retail and service trades and to other millions of employees not covered by the act, and to boost minimum wages to \$1.25.

DECLARING GOOD FRIDAY A LEGAL HOLIDAY

(Mr. WOLF asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include a letter.)

Mr. WOLF. Mr. Speaker, simple eloquence spoken from the heart is the most effective and meaningful method of communication. I am sure that none of us are able to forget the beautiful and touching letter written by Vanzetti, the humble fishpeddler, to his son on the eve of his death.

I am taking this opportunity to place in the CONGRESSIONAL RECORD a letter from one of my constituents. She is a woman who loves her country dearly and is deeply religious, not in the flashy, empty way of many but in the humble, honest way that is the mark of the true believer.

This woman, Mrs. Haase, has asked me to sponsor a bill making Good Friday a national legal holiday. I have checked with many religious and lay leaders who support such an idea because they feel, as I do, that Good Friday is as important in the life of the Christian religion as Christmas. I am introducing today a joint resolution declaring Good Friday in each year a legal holiday.

Herein follows the letter from Mrs. Haase. Its contents bear thoughtful consideration:

CLINTON, IOWA, April 7, 1959.

Mr. LEN WOLF,
Honorable Congressman,
House of Representatives, U.S. Congress,
Washington, D.C.

DEAR MR. WOLF: This letter is a request for your help to make Good Friday a legal national holiday.

Undersigned is a naturalized citizen having come from Germany. I embrace the Lutheran faith.

I dearly love this land and its Constitution. It is built on Christian principals. In fact we call ourselves a Christian national preserving Christianity for the world.

This is a noble ambition and so I risk to ask my Government to make Good Friday a legal holiday. We have Christmas, Easter, and Pentecost. These three are our big Christian festival. They fall on a Sunday and are automatic holidays.

As Christians we cannot have Easter without Good Friday. That is the most important day in our faith. America with all its blessings should take time to go with Christ to Golgatha, take full part in Christ's death. Give the people this day for consecration and really be prepared for the glory of Easter, after the darkness of Good Friday.

In Germany, it was a solemn day. Families partaking in the Lord's Supper and all work resting.

Here we are getting more aware of the holiness of the day. Many employers give their employees time off for church attendance. This is very nice—but I love to ask our Government for a proclamation to elevate Good Friday as a legal national holiday.

It would give our country a good standing in the world, as a Christian Nation, we are obligated to observe Good Friday in this measure. Surely there be many blessings for every citizen in this observation.

Mr. WOLF, I thank you for help you could give this plea. I am positive it has your personal approval, also of many other citizens.

May God bless you in your position in our Government.

Sincerely,

MARTHA A. HAASE.

TO REVISE, EXTEND, AND IMPROVE THE UNEMPLOYMENT INSURANCE PROGRAM

(Mr. LANE asked and was given permission to extend his remarks at this point.)

Mr. LANE. Mr. Speaker, the speed with which H.R. 5640 passed in the House was not only motivated by the need for extending temporary unemployment compensation beyond April 1, when the emergency program was due to end. It was recognition of a continuing problem that could become chronic.

With the recession of last year behind us, insofar as production and profits are concerned, it was expected that this improvement would be reflected in a sizable reduction of unemployment totals.

The large number of people who are out of work is a matter of deep concern to the Congress. As our work force is steadily increasing on the one hand, while the introduction of automation is shrinking the number of job opportunities, we face a widening gap that must be closed, if we are to avoid the burden of heavy unemployment in this country.

A reduction in the standard workweek but without reduction in pay, in order to spread employment opportunities, may be the required solution. Meanwhile, improvements in our unemployment compensation system are necessary to provide support for the displaced workers in our economy. We understand management's need to concentrate on production and profits. The object is to produce more goods with fewer workers. Automation has come along fast in 1957 and 1958. This has resulted in rising business activity that does not absorb the unemployed.

It, therefore, becomes the public responsibility, through the cooperation of the Federal Government and the States,

to provide compensation for the unemployed to a greater extent than before, in the hope and the expectation that our growing economy will open up more job opportunities.

This is our major national problem. Until such time as private enterprise, with an assist from Government, can generate a sufficient volume of activity to create jobs, we have no alternative but to extend and increase unemployment compensation.

We cannot maintain our leadership if we resign ourselves to a split-level society in which the large majority of our people enjoy high wages, high profits, and a high standard of living while 4 or 5 million adults are excluded from the opportunity to earn any income whatsoever.

The pressures and tensions inherent in this contradiction would seriously weaken our society because unemployment of this scope is both inhuman and wasteful.

The present hodgepodge of unemployment compensation systems in the various States, resemble structures that were built without design. They encourage divisive competition among the States and encourage the migration of industry with its disorganizing effect upon industries, workers, and communities.

The plain fact is that the Federal-State unemployment compensation system has not evolved with the times. It did not anticipate automation and its effects upon the labor force. It has not caught up with the realities of today. Restrictions in the laws kept a padlock on the \$7 billion in unemployment reserve funds during the recession. Some groups of hired farm laborers, 1.8 million employees in small firms, and others, have no protection whatever under the present jobless aid laws.

One of the most serious defects is that dependent benefits are provided in only 11 of the States. The failure to make any distinction between the needs of the single person who is unemployed, and the unemployed family man who has many mouths to feed, is both shocking and tragic. There is no excuse whatsoever for this appalling neglect.

To achieve permanent Federal standards and supporting State legislation, it is necessary for the Congress to be guided by experience in the field which points to the following needs:

First, that coverage should be expanded.

Second, that the maximum duration of benefits should be increased to 39 weeks.

Third, that the maximum of benefits payable under the law shall be an amount equal to at least two-thirds of the average weekly wage earned by employees within the State, or an amount—exclusive of dependents' benefits—equal to one-half of such individuals average weekly wage, whichever is the lesser.

Fourth, That an equalization fund shall be established to reduce the excessive costs of jobless insurance in those States that are suffering from heavy unemployment because of national economic conditions.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued April 16, 1959
For actions of April 15, 1959
86th-1st, No. 56

Appropriations.....	16
Area redevelopment.....	2
ASC committees.....	42
Budget.....	19
CCC.....	4, 10, 20
Civil defense.....	27, 38
Coffee.....	45
Commodity exchange.....	45
Contracts.....	25
Cooperatives.....	12
Cotton.....	11
Credit unions.....	35
Dairy products.....	7
Economic advisers.....	20
Eggs.....	15
Electrification.....	1
Expenditures.....	19
Fair trade.....	33
Farm program.....	14, 30, 46
Food stamps.....	39
Food storage.....	31
Foreign aid.....	26, 28, 40
Forestry.....	3, 21
Insecticides.....	47
Interest rates.....	8
Irrigation.....	17
Lands.....	29, 37, 44
Legislative program.....	10
Military construction.....	4
Milk.....	12
Minerals.....	37, 44
Minimum wage.....	9
Nominations.....	20
Personnel.....	22, 34
Plants.....	47
Potatoes.....	32
Property.....	36
Public Law 480.....	4, 10
Reclamation.....	5
Research.....	12, 17
Roads.....	21
Small business.....	43
Sugar.....	18
Surplus commodities.....	41
Surplus foods.....	23
Unemployment.....	24
Unemployment compensation.....	16
Water pollution.....	6
Water resources.....	13

HIGHLIGHTS: House passed bill to give REA Administrator authority over all loans. Senate passed bill to authorize rental of cotton acreage allotments. Senate/ordered reported bills to: Provide industrial-use research; expand special milk program. House subcommittee voted to report area redevelopment bill. Sen. Symington urged Secretary to submit omnibus farm bill. Senate received nomination of Frank A. Barrett to be member of CCC board. Senate committee reported measure to establish committee to study water resources. Sen. Humphrey urged USDA program to purchase eggs. Sens. Symington and Humphrey introduced and discussed food stamp bill. Rep. Sullivan introduced and discussed bill to provide for regulation of futures trading in coffee.

HOUSE

1. ELECTRIFICATION. Passed, 254 to 131, as reported H. R. 1321, to give the REA Administrator additional authority. Then passed S. 144, a similar Senate bill, without amendment. This bill will now be sent to the President. pp. 5383-401
As finally passed, S. 144 provides that the functions and activities of REA and of the Administrator of REA which were transferred to the Department and to the Secretary by Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953 are transferred to the REA Administrator, to be exercised and administered within the Department by the Administrator under the general direction and supervision of the Secretary, except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other

control by, the Secretary.

Rep. Simpson criticized TVA for its awarding of a turbogenerator contract to a British firm and urged that the decision be reversed. pp. 5434-6

2. AREA REDEVELOPMENT. A subcommittee of the Banking and Currency Committee voted to report with amendment to the full committee S. 722, the Douglas area redevelopment bill. The amendment, in the nature of a substitute, reduces the original \$389.5 million to \$251 million, decreasing from \$100 million to \$75 million the amount of loans available to rural areas. p. 5420
3. FORESTS. The Interior and Insular Affairs Committee reported with amendment H. R. 2497, to add certain lands located in Idaho to the Boise and Payette National Forests (H. Rept. 273). p. 5436
4. MILITARY CONSTRUCTION. The Rules Committee reported a resolution for consideration of H. R. 5674, to authorize certain construction at military installations including an authorization for use of Public Law 480 and CCC funds. p. 5436
5. RECLAMATION. The Interior and Insular Affairs Committee ordered reported without amendment the following bills: H. R. 1778, to amend section 17 (b) of the Reclamation Act of 1939 to defer payment of certain payments of construction costs by water users; and H. R. 839, to approve certain adjusting, deferring, and canceling of certain irrigation charges against non-Indian owned lands near the Wapato Indian irrigation project, Washington. p. D250
6. WATER POLLUTION. The Public Works Committee ordered reported with amendment H. R. 3610, to amend the Federal Water Pollution Control Act to increase grants for construction of sewage treatment works and to establish the Office of Water Pollution Control. p. D251
7. DAIRY PRODUCTS. The Administration Committee ordered reported a resolution to authorize printing of 5,000 additional copies of a report entitled, "Price Discrimination in the Distribution of Dairy Products." p. D250
8. INTEREST RATES. Rep. Patman criticized Administration monetary policies, particularly "high-interest rate policies." pp. 5421-7
9. MINIMUM WAGES. Rep. Thompson, N. J., urged an increase in the minimum wage, and criticized the Secretary for opposing such an increase. pp. 5415-8
10. LEGISLATIVE PROGRAM. Rep. Albert announced that on Thurs., April 16, H. R. 5674, to authorize certain construction at military installations, including an authorization for use of Public Law 480 and CCC funds, would be programed and that Rep. Vinson will ask for a rollcall vote on that bill. p. 5403

SENATE

11. COTTON. Passed without amendment S. 1455, to authorize 1-year leases of upland cotton acreage allotments from farms having allotments of 10 acres or less to other farms in the same county if the combined allotments will not exceed 50 acres. pp. 5340-7
12. RESEARCH; MILK; COOPERATIVES. The Senate Agriculture and Forestry Committee ordered reported the following bills: p. D247
S. 690, without amendment, to provide a program for the increased use of agricultural products for industrial purposes;

House of Representatives

WEDNESDAY, APRIL 15, 1959

The House met at 12 o'clock noon.

Bishop A. Frank Smith, the Methodist Church, Houston, Tex., offered the following prayer:

Almighty God, the Creator of all things, the Ruler of the nations, the Father of us all, we invoke Thy presence with, and Thy guidance for all peoples and especially for this land of ours. We are conscious of and grateful for the providence that has brought us, individually and collectively, down to this hour, and this morning. Our desire and prayer is that we may take unto ourselves the injunction of the Master Teacher: "Unto whom much is given, of him shall much be required," and, as a privileged people, recognize that we are correspondingly an obligated people. Extend our horizons, deepen our sympathies, lend unto us balance and poise, that we may be able to put first things first, and to distinguish between the passing and the eternal. May Thy blessing rest upon the Congress of the United States, upon the President and all those in places of responsibility and authority, and upon the people—Thy children—everywhere, to the end that increasingly Thy will may be done upon the earth as it is done in Heaven. For Thine is the kingdom, and the power, and the glory, forever. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

CALL OF THE HOUSE

Mr. GROSS. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 27]

Andersen, Minn.	Glaimo	Polk
Barden	Gray	Powell
Baring	Hall	Rostenkowski
Bowles	Hoffield	Roush
Buckley	Holland	St. George
Carnahan	Hosmer	Santangelo
Celler	Huddleston	Stubblefield
Cohelan	McMillan	Teague, Tex.
Davis, Tenn.	Macdonald	Teller
Dent	Mahon	Tollefson
Diggs	Marrow	Van Pelt
Donohue	Miller	Walter
Durham	George P.	Whitener
Feighan	Moulder	Whitten
Flynn	Multer	Williams
Fogarty	Norblad	Wilson
	Philbin	Winstead

The SPEAKER. On this rollcall 379 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

MODIFYING REORGANIZATION PLAN NO. 2 OF 1939 AND REORGANIZATION PLAN NO. 2 OF 1953

Mr. FASCELL. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 1321) to amend Reorganization Plan No. 2 of 1953.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 1321, with Mr. BOLLING in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday the gentleman from Florida [Mr. FASCELL] had 20 minutes remaining; the gentleman from Ohio [Mr. BROWN] had 30 minutes remaining.

The Chair recognizes the gentleman from Florida.

Mr. FASCELL. Mr. Chairman, I yield 10 minutes to the distinguished majority leader, the gentleman from Massachusetts [Mr. McCORMACK].

[Mr. McCORMACK asked and was given permission to revise and extend his remarks.]

Mr. McCORMACK. Mr. Chairman, the National Electric Cooperative Association which, as we know, is the national service organization of the Rural Electric Systems of the Rural Electrification Administration, representing at least 90 percent of these systems and which serve about 4 million farms and other rural establishments in 44 States and Alaska, with from 12 to 16 million people benefiting, strongly support this bill.

Also appearing before the subcommittee last year were the assistant manager and engineer of the Buckeye Rural Electric Cooperative of Gallipolis, Ohio; the general manager of the Eastern Iowa Light and Power Cooperative of Wilton Junction, Iowa; the manager of the Association of Illinois Electric Cooperatives of Springfield, Ill.; the executive secretary of the Ohio Statewide Association of Columbus, Ohio; the president of the Menard Electric Cooperative of Petersburg, Ill.; the president of the Burke-Divide Electric Cooperative of Columbus, N. Dak.; the manager of the Johnson County Electric Cooperative Association of Cleburne, Tex.; the director of the North Arkansas Cooperative of Salem, Ark.; the manager of the Morgan County Rural Electric Member-

ship Corporation of Martinsville, Ind.; the president of the board of directors of the Sheyenne Valley Electric Cooperative of Finley, N. Dak.; the manager of the Marlboro Electric Cooperative of Bennettsville, S.C.; the president of the National Rural Electric Cooperative Association; the manager of the Sam Houston Electric Cooperative of Livingston, Tex.; the manager of the Williams Electric Cooperative of Williston, N. Dak.; the president of the board of directors of the Verendrye Electric Cooperative of Velva, N. Dak.; the executive manager of the Tarheel Electric Membership Association of Raleigh, N.C.

That is an illustration of the support given to this bill by those who are the beneficiaries of this great program which this Congress put into effect years ago under Democratic leadership.

I might also say that at the time of the hearings a representative of the General Accounting Office who appeared, John W. Moore, legislative attorney, was asked this question:

If the REA were put in the same status as the Farm Credit Administration by becoming an independent agency, but with certain housekeeping facilities in the Department of Agriculture, such an action would in no way do violence to the good management principles that you have mentioned, would it?

That is what this bill undertakes to do. This bill also does nothing more than what the Maritime Administration now has the power to do in the Department of Commerce. They are in there for housekeeping purposes. But they have the final say in connection with loans and in passing upon any loans or subsidies that come before the Maritime Administration of the Department of Commerce. There are other agencies that are parts of departments that have the same autonomy in connection with the making of loans but are part of a department for housekeeping purposes.

In connection with Reorganization Plan No. 2 of 1953, a number of Members at that time expressed concern about the power to change functions of the REA without notice. They were assured that this would not be done. One Member of the Senate said:

We have the Secretary virtually giving notice that he will make public his plans for major changes.

Another Member of the Senate, a former Secretary of Agriculture, said:

It requires the Secretary, to the extent practicable, to give appropriate advance public notice of delegations of functions and to afford opportunity for interested persons or groups to place their views before the Department.

Our former colleague, Cliff Hope, speaking when the resolution was up

before the House, assured us that the Secretary would be required to give public notice of important changes and the opportunity of interested persons to be heard.

Speaking for himself, Secretary Benson said it was his intention and that of the Department "to consult with Members of Congress and with farm organizations and other interested groups. We do not expect to make any major changes in organization without full consultation and advice."

For nearly 4 years nothing happened. Then the secret directive was issued. Nobody was advised. Members of Congress were not advised or consulted. The committees of Congress were not advised or consulted. The farm groups interested were not advised or consulted. It was only by accident that it was found out, when the manager of a cooperative that had filed an application upon which it was important to have action before the end of the fiscal year 1957 made inquiry in connection with that action and was informed about the new directive, that he had to give additional information.

As a result of that Members of Congress tried to get information. The interested rural electrification cooperatives tried to get information, but they could not get information. It was only after several weeks of strong probing by Members of Congress that they were able to get the information about this important change, this major change in connection with the Rural Electrification Administration.

This change means that somebody appointed by the Secretary, whose office is not established by the Congress specifically, who is appointed by the Secretary, for all practical purposes supersedes a man appointed by the President and confirmed by the Senate, the Administrator of the Rural Electrification Administration, not to review after the fact but to review all applications of \$500,000 or more, now \$1 million or more, before the fact.

You all know the story of the Indiana case, you all know it was held up, you all know an important policy was involved. The Administrator, Mr. Hamil, testified that he had a consultation in the Secretary's office with representatives of the Department of Public Utilities of the State of Indiana, and that later he went over to the White House and had a conference with some persons there about the Indiana application.

This is a major change, this is a radical change, this is a violation of the promise made by the Secretary himself to the Congress of the United States. This means that one not appointed by the President and confirmed by the Senate is in a position where he can dictate policy in connection with this important agency, which is of such vital importance to millions of persons who live on the farm and till the soil for a living.

So the case is clear. You and I know the reason for putting that order through secretly. If they gave public notice, if they had consulted with the farm organizations, if they had consulted with the committees of Congress and Members

of Congress, there would be a rousing of public opinion with knowledge of the proposed change. Public opinion among our farming communities and among Members of Congress representing farm districts would have been so strong that they would not have dared to put that directive through superseding the Administrator of the Rural Electrification Administration, a Senate-confirmed official, by one who was simply an appointee of the Secretary of Agriculture.

The case is clear. There are other agencies in the same position as this agency will be, if this law is passed, where for housekeeping purposes, they are a part of a department, but they have an autonomy within themselves in carrying out the major purposes of the law they administer and which Congress passed. In this case, we are simply doing what the Congress intended to do, which was circumvented by a secret order. Congress should pass this law not only to carry out our intent, but to protect the great farming communities of our country.

Mr. BROWN of Ohio. Mr. Chairman, I yield 7 minutes to the gentleman from Michigan [Mr. MEADER], a member of the committee.

(Mr. MEADER asked and was given permission to revise and extend his remarks.)

Mr. MEADER. Mr. Chairman, I have opposed any effort to amend existing law as to responsibilities within the Department of Agriculture for the Rural Electrification Administration, as outlined in H.R. 1321.

My position was stated clearly in Additional Views to House Report 235, filed March 20, of this year. H.R. 1321 modifying Reorganization Plan No. 2 of 1939 and Reorganization Plan No. 2 of 1953, adopts an erroneous principle of administration. Instead of tightening controls and establishing clear channels of authority and responsibility, it moves in the opposite direction, of fragmentation and dispersal of functions and responsibility.

The Hoover Commission, in its report on general management of the executive branch, had this to say:

The President, and under him his chief lieutenants, the department heads, must be held responsible and accountable to the people and the Congress for the conduct of the executive branch. Responsibility and accountability are impossible without authority—the power to direct. The exercise of authority is impossible without a clear line of command from the top to the bottom and a return line of responsibility and accountability from the bottom to the top.

Continuing:

Under the President the heads of departments must hold full responsibility for the be a clear line of authority reaching down conduct of their departments. There must through every step of the organization and no subordinate should have authority independent from that of his superior. Each department head should receive from the Congress administrative authority to organize his department and to place him in control of its administration.

Even further:

We recommend that the department head should be given authority to determine the organization within his department.

Now, if we continue to create autonomous administrations outside; or even inside, executive departments, administrative chaos is the inevitable result. The department head—a member of the Cabinet—and the President will lose control over the operations for which the administration is responsible.

Likewise the Congress will find it difficult, if not impossible to examine and control the operations of a multitude of autonomous, uncoordinated administrative activities.

The Hoover Commission concluded:

We have urged in our first report that the foundation of good departmental administration is that the Secretary shall have authority from the Congress to organize and control his organization, and that separate authorities to subordinates be eliminated.

Proper administration requires further tightening of authority and establishment of clearer channels of command, not in their diffusion as will be accomplished by H.R. 1321.

Mr. Chairman, I listened with great interest to the remarks of the distinguished majority leader, with whom it has been my pleasure to serve on the Committee on Government Operations during my entire career in the House of Representatives. He has made a stirring appeal but he has employed inflammatory phrases such as "a secret order" and has charged the Secretary of Agriculture with violating a certain promise made to the Congress of the United States.

I was present when Reorganization Plan No. 2 of 1953 was considered by the Committee on Government Operations. The majority leader more than once during those proceedings indicated that, in general, he favored Reorganization Plan No. 2. He very carefully went over with the Secretary, Mr. Benson, this very matter of consultation with Congress on major changes.

So that there may be no mistake or misunderstanding, I want to read one of these passages from the record of our hearings. I may say also that the majority leader asked the same question of our former colleague, Mr. Hope, of Kansas, who was also a witness in favor of that reorganization plan. I quote from page 92 of our hearings of May 21 and 25 of 1953. Secretary Benson was the witness and Mr. McCORMACK was interrogating him.

Mr. McCORMACK. Well, not to quibble—I am not going to quibble—you have stated and you now definitely state for the record that before any changes take place, if this reorganization plan becomes effective, in addition to consulting with others, on proper public notice, hearing on major matters, and so forth, you are going to consult with the Democratic members of the committee as well as the Republican members of the committee?

Secretary BENSON. Well, I think, Congressman, certainly on any major change proposed we would want to consult with the Republican and Democratic Members of Congress.

Mr. McCORMACK. Well, I said—

Secretary BENSON (interrupting). Now, you wouldn't want us to do that on every minor change that was to be done from day to day.

Mr. McCORMACK. I said major.

Secretary BENSON. On major changes; yes. Mr. McCORMACK. Now, what would you call a major change?

Secretary BENSON. I think this provision dealing with marketing—

Which had been discussed a few minutes earlier—

as we envision it, would be a major change.

I think if we proposed the consolidation of any two agencies or any important functions of two agencies, that would be a major change.

It is pretty hard to describe what is a major and what is a minor change.

Mr. McCORMACK. I agree with that. I am just trying to get an understanding of what is in your mind.

The gentleman who just preceded me, the majority leader, more or less assumes that what was done here, which he calls a secret order was a major change of the character discussed before our committee.

I submit it was not a major change but merely the exercise of control by the head of a department. This involves no consolidation of agencies within the Department of Agriculture. It involves no consolidation of functions within the agencies in the Department of Agriculture. It involves day-to-day supervision of the subordinates within the Department of Agriculture and nothing more.

Now I ask the majority leader, who has frequently stood on this floor and upheld the separation of powers of government, even to the extent of indicating that Congress is not entitled to information from the executive branch, if he would try to set up whirlpools of government as they are called by Dr. Ernest S. Griffith in his book "Congress—Its Contemporary Role"—pages 37-39?

Does the majority leader believe individual Members of Congress should interfere in the daily administration of the functions of the executive branch of the Government.

Is he suggesting that before the Secretary of Agriculture can sign a letter he must come over here and talk to the chairman of the Committee on Agriculture and the ranking minority member of that committee?

Is he suggesting that we inject ourselves into the administration of the affairs of the executive branch of the Government? I hope not, because we have enough to do to attend to our own business.

The Congress acts by the action of committees and the House and the Senate. It does not act through individual Members of Congress, consulting with departments, of which there is no record and could be no official record?

If major changes are contemplated the reorganization plan itself contains a provision included at the request of the Secretary of Agriculture, for advance notice and hearing. There is not any suggestion that that provision has been violated. The hearing record of the committee does not justify the attack the majority leader has made on the Secretary of Agriculture nor the inflammatory phraseology he used in discussing this bill.

Now, Mr. Chairman, I am opposed to H.R. 1321 because, first, it flaunts sound

principles of administration and good government, and second, because the burden of proof has not been sustained. Indeed, not even a prima facie case has been made to justify this proposed change in law.

Students of government agree that a basic principle of sound administration is that authority and responsibility go hand in hand; that clear lines of authority or channels of command between a top administrator and subordinates must be established and maintained.

That philosophy has been expressed repeatedly by the Hoover Commissions on reorganization of the executive branch of the Government, and has been endorsed by the Congress both expressly and by its action, particularly by its approval of reorganization plans growing out of the Hoover Commission's studies. Those studies had as their objective centralization of administrative power in the head of departments with full authority to delegate portions of it to subordinates and to hold them responsible.

Such sound philosophy of governmental structure runs through the legislative history of congressional efforts to bring the sprawling military services and their respective semiautonomous divisions, corps, and bureaus under centralized control of the Department of Defense. There should be no disagreement among us on that basic principle.

It must likewise be clear that the purpose of the bill before use is to move in the opposite direction, away from such vital centralization and clear channels of authority.

The bill in its effect disperses and fragments governmental authority and, as I stated at the outset, flaunts and violates sound principles of administration. It sets bad precedent. It places beyond the control of the Secretary of Agriculture and perhaps even the Chief Executive the supervision of the only function in the Rural Electrification Administration that amounts to anything; namely, the granting of loans. It might be said the bill is not only one of diffusion but confusion.

It should be clearer to—and we would be more candid with—the American people if the bill provided outright for repeal of Reorganization Plan 2 of 1939 and Reorganization Plan 2 of 1953 and recreated the REA as an independent autonomous body wholly outside any department of Government. But H.R. 1321 leaves REA in the Department of Agriculture, leading to the impression that the Cabinet officer who heads that Department has some authority over it and over the REA Administrator as his subordinate. In fact, the Secretary of Agriculture, if this bill is adopted, would have no such control and supervision.

Thus, if we are to take the action which is the object of this measure, it would be far preferable in my opinion to go all the way and give REA complete autonomy than do as some want to, to leave it within the Department of Agriculture with apparent but no real control.

What case has been made for this departure from sound principles of government? From the committee's record it appears that absolutely no case has been made, not even a prima facie one.

Other speakers have quoted amply from the RECORD to show that no loan has been disapproved by virtue of the supervision of the Secretary of Agriculture and that the Administrator in exercising the functions delegated to him by the Secretary of Agriculture has been free from any interference. For emphasis I quote the following passage from the testimony of Mr. Hamil, the Administrator, on page 34 of the committee hearings:

Secretary Benson has made no change in the organization, authorities, functions or policies of REA.

The informal procedure whereby proposed supplemental loans in excess of one-half million dollars—now \$1 million—and proposed loans to new borrowers are discussed with Mr. Kenneth L. Scott, Director of Agricultural Credit Services, has not resulted in the rejection of a single loan or in any appreciable delay.

In not a single instance has Secretary Benson or Director Scott interfered in the discharge of my responsibilities as Administrator of REA. I make the loans.

The emotional charges of political interference are without support in the RECORD. The person with whom the REA Administrator is required to consult on behalf of the Secretary of Agriculture is Mr. Kenneth L. Scott, Director of Agricultural Credit Services. Mr. Scott has been with the Department of Agriculture since 1934, for 20 years with the Farm Credit Administration, and since 1954, in his present position. How can we base legislative judgment on a tacit assumption of political interference when the facts are all to the contrary?

Mr. Chairman, I appeal to my colleagues not to embark on this dangerous course of creating autonomous little kingdoms in the executive branch of the Government. If the cooperative association lobby succeeds in this movement to place REA outside the channels of control of the administration of the executive branch, what will come next? The Corps of Engineers, the Bureau of Reclamation. What other bureaus having functions of interest to a particular segment of our population will seek to free themselves from supervision and control of Cabinet officers.

It is perfectly obvious that if the precedent established today encourages a widespread movement toward dispersal and fragmentation of Government functions, the executive branch of the Government must become an unmanageable hodge-podge of sovereign, autonomous bureaucracies. Congress will find its control weakened to the point of disappearance.

I hope H.R. 1321 will be resoundingly defeated.

The CHAIRMAN. The time of the gentleman from Michigan [Mr. MEADER] has expired.

Mr. BROWN of Ohio. Mr. Chairman, I yield 7 minutes to the gentleman from New York [Mr. BARRY].

Mr. BARRY. Mr. Chairman, we have heard eloquently from the gentleman from Michigan [Mr. MEADER], whose factual testimony cuts through the haze of oratory presented by the gentleman from Massachusetts [Mr. McCORMACK].

In the course of the remarks delivered by the gentleman from Massachusetts he also stated something about an Indiana situation; an application that was made by the REA of Indiana.

Yesterday we heard considerable testimony with respect to this loan application from his side of the aisle. I would like to take occasion to look at the record with your indulgence on this phase of the majority leader's statement this morning. I refer to the statement of David A. Hamil, Administrator, REA before the Government Operations Committee hearings of 1958, page 212, with regard to this loan application for Indiana:

An application for about \$42 million was received on May 10, 1957, from a federation of Indiana distribution cooperatives called Hoosier Cooperative Energy, Inc. The cooperative proposes a lease-operation arrangement with the aluminum wire firm of Richards & Associates, which planned to use surplus power for operation of a new aluminum plant.

REA met numerous times with representatives of the Hoosier group and their engineers, the Southern Engineering Co. Over a period of many months the Hoosier group revised its plans, reviewed its engineering studies, keeping pace with changing conditions in its negotiations with the aluminum firm. Through October and November of last year these changes were major in nature, and in mid-December REA was advised by the Hoosier group that they no longer wished to consider a lease-operation arrangement with the aluminum company. They wanted to enter into an outright sale-of-power arrangement. Necessary information in respect to this proposal has not been submitted to REA, and we have been unable, for that reason, to further process the application.

Our latest information is that the Hoosier group no longer plans to serve the aluminum plant, and is working on another plan of operation. REA has no details of this new proposal, nor do we know when a new or revised loan application will be submitted.

REA's processing of the Hoosier application has been normal in every respect. We neither speed up nor hold back on loan processing. We take them as they come, insisting only that they stand on their merits.

Mr. Chairman, yesterday morning it was my good fortune to witness the dedication of the Taft Memorial, honoring that great statesman, Senator Robert A. Taft, who, for so many years, championed integrity in Government and sound principals of management for the Nation. In yesterday's special tribute, former President Herbert Hoover said that Bob Taft for years struggled against great odds to prevent legislators from "changing for change sake rather than for improvement." I wonder, Mr. Chairman, if we are not dangerously near that very position today while in the shadow of the gracious Taft Memorial which should certainly serve as a reminder of his sound philosophy of government.

During the course of the hearings on this bill, there is not one iota of evidence to show that there was ever a single REA

loan turned down because of the REA being in the Department of Agriculture, or particularly because the Secretary of Agriculture has a right of review over the loans that the REA made—and yet some would change it. The Administrator of the REA has stated and I quote:

Benson has made no change in the organization authority, function or policies of REA.

And the Administrator went on to say further that the informal procedure we have heard so much about "has not resulted in the rejection of a single loan or any appreciable delay."

What then are the motivating forces that bring this legislation to the floor? Gentlemen, I examined carefully the evidence presented to this committee, especially by those seeking the adoption of this bill. I refer you to the statement of Clyde Ellis, general manager of the National REA, which appears in the record of hearings on this bill, and I ask you, after perusing this document, if this is not his individual effort wherein he has corralled the REAs throughout the country to get behind this legislation, more with the purpose in mind of showing the strength of the REA for future legislative purposes than the particular issue at hand?

Has this House and this Congress constituted itself as a body to determine who has the naked power to achieve his will even though no gain may be reflected to the people? I think not—and I am confident that a great many of my colleagues also agree. Let the record speak for itself with regard to the intent of the proceedings upon which we are now engaged. I refer again to Mr. Ellis' statement, which appears on page 50 of the hearings, where he complained:

The act prohibits us from using REA loans to serve any of the most profitable part of the power industry market; that is, we are prohibited from going into the most thickly settled villages and towns of over 1,500 population.

Mr. Ellis makes this statement notwithstanding the fact that, by his own later testimony, 95 percent of the farms of the Nation have been covered by rural electrification or otherwise, and it certainly is recalled by Members of Congress that the original intent of the REA was for the purpose of establishing electric service, and later telephone service to the farms in the rural areas of the Nation where no service previously existed.

There was no intent in the original law to provide electrical services which industry could otherwise have provided. Private capital should be employed in thickly populated villages and communities where it can do the job without Government support. This is in accordance with basic elements of the free enterprise systems upon which this Nation has so long prospered.

Continuing further from Mr. Ellis' statement, he drones on with 10 other major complaints with respect to the provisions of the REA and its problem in competing with private enterprise. Mr. Chairman, this bill is not at all what it purports to be. This bill is designed to be an opening wedge to let the flood gates down on the other complaints in

Mr. Ellis' statement that the REA's throughout the Nation would request of this or future Congresses—in order to more effectively compete and drive out private capital throughout areas that are now already supplied with private power and where ample capital is available to do the job without Government subsidy, which, in the words of Senator Taft, amounts to "creeping socialism."

In conclusion, Mr. Chairman, I would like to point out that in the statement of Mr. Ellis, he consistently uses the word "fear." In fact, beginning on page 51 and continuing for two pages, "fear" is mentioned 12 times or words connoting the same apprehension.

I submit, Mr. Chairman, that an act of this House predicated on the unsound principle of change for change's sake, coupled with a psychosis of fear, and contrary to sound management principles of Government, sets a dangerous precedent in reversing reorganization proceedings recommended by the Hoover Commission, and is unworthy of approval by this august body.

(Mr. BARRY asked and was given permission to revise and extend his remarks.)

Mr. BROWN of Ohio. Mr. Chairman, I yield 4 minutes to the gentleman from California [Mr. HIESTAND].

Mr. HIESTAND. Mr. Chairman, a fundamental of sound organization is that powers must measure up to responsibility. I am sure every Member of this House agrees with that.

Mr. Chairman, the Congress of the United States over the years has established a reputation as among the best of the legislative bodies anywhere in the world.

This has been achieved through careful deliberation and thorough analysis of the facts involved in particular issues. But one of the most important qualities which has usually typified Congress is that we have adhered to basic principles of sound governmental procedure and the placing of responsibility in compliance with good administrative practice.

The passage of H.R. 1321 would create an administrative monstrosity and would be a blot on the reputation of the Congress.

The effect of this bill is inconceivable in that it would leave the REA within the Department of Agriculture subject to the general supervision and direction of the Secretary of Agriculture, but the Administrator of REA would have authority to approve or disapprove loans without the supervision or direction of, or any other control by the Secretary of Agriculture.

In other words the Congress would be telling the Secretary of Agriculture that we are holding him responsible for the supervision and direction of REA as a part of the Department of Agriculture, but would remove from the Secretary any authority over the approval or disapproval of loans which is in essence the lifeblood of the agency.

In the first place, I doubt if there is anyone here who believes that it is good public administration to saddle the Department head with the responsibility

for an agency, but remove all of his supervision over that agency.

Secondly, this debate fails to produce any evidence that the REA programs are being interfered with by the Secretary of Agriculture or anyone else in the executive branch. REA's Administrator Dave Hamil, who has high respect on both sides of the aisle, has testified:

In not a single instance has Secretary Benson or Director Scott interfered in the discharge of my responsibilities as Administrator of REA. I make the loans.

Speaking very frankly the politically inspired lobbyists, including the one who takes up most of the committee reports who are pushing this measure have even failed to present any evidence where the existing procedure has been harmful to REA or a single bona fide loan application has been rejected.

In contrast REA has enjoyed the golden era of its existence during the past 6 or 7 years. For example, loans of \$1.2 billion were made during this period contrasted to \$2.6 billion loaned in the previous 17½ years of the program.

Let me cite you some additional proof that this whole business is purely a distasteful "tempest in a teapot."

During the last 6 years the following has been achieved:

First. Borrowers delinquent on loans dropped from 45 to 6—systems payments \$139 million ahead.

Second. The backlog of applications has dropped. On June 30, 1953, there were 234 applications on hand for \$193 million. On December 31, 1958, there were 58 applications on hand for \$111.5 million which included one application for \$48.5 million.

Think of that, Mr. Chairman, one-fifth of the backlog of pending applications at the end of last year compared to 6 years ago.

Third. Annual power sales are nearly 22 billion kilowatt-hours—double sales in 1952.

Fourth. Net worth of cooperative borrowers has more than tripled. REA has come of age; it has matured.

Now there are two other factors which are disconcerting to many Members of this House and are perhaps an indication of why some want to create this tempest to distract attention from the real problems.

I refer to the fact that 75 percent of new customers being added under the REA program are industrial and non-farm consumers. One-half of the total power being used by REA systems is for nonfarm use. Then there is the law which allows REA-cooperatives to borrow your money from the Treasury at 2 percent though the Treasury has to pay 4 percent for those funds. But that is the law. Congress wrote it. The administration is charged with directing the REA as the law is, and I have every reason to believe the Department is doing a good job.

REA is making tremendous progress and it has not been hampered by anyone in this administration. The passage of this bill would not only be a reflection on the intelligence of the Congress and our knowledge of sound public adminis-

trative practice, but it would be a disservice to the American people and the REA program. This is not a matter to be passed over lightly. The passage of this monstrosity would come back to haunt each of us and I urge its referral back to the committee.

Mr. BROWN of Ohio. Mr. Chairman, I yield the remainder of the time on this side to the gentleman from Minnesota [Mr. NELSEN], former Director of the REA.

(Mr. NELSEN asked and was given permission to revise and extend his remarks.)

Mr. NELSEN. Mr. Chairman, and members of the committee, I would like to make some brief remarks about this bill, and I am sorry that time does not permit adequate coverage of the things that I think need to be discussed. I have heard a good deal of talk from other members of the committee, and they were fine, and I want to compliment the gentleman from Illinois [Mr. PRICE] on the remarks that he made relative to this measure. They were well done and very sincere.

Mr. Chairman, I would like to add this comment, that I do happen to be a farmer. This morning my son turned the switch on at the end of the barn and the barn was cleaned. He turned another switch, and the silage came down for the cattle. The milking operation was handled with electric power delivered on a system that I helped organize. The poles that are still in the ground were put there when I went out with others to get enough members signed up on our system to bring REA to our farm, and I served as vice president of the board.

In the early stages of the history of this program we had a tax bill in Minnesota that was impossible to live with. As a State senator I was the author of the tax bill under which we now operate, one of the best systems in the United States. I later became the administrator of this program, and I administered the program for 3 years. I worked hard at it. I traveled all over the United States. I dealt with many Members of Congress, and I was given wonderful treatment, and I thank all of you for it.

Now I want to address myself to the bill, because time will not permit me to deal with all of the things I wish to develop relative to this measure. I was in the REA from 1953 to 1956. The Reorganization Act which has been talked about here was enacted when I was the Administrator. Never at any time did anybody interfere with me in my operation as REA Administrator, and I know that to be true, and that is true at this time.

Now, then, I want to tell you something else about this program. If this particular act is necessary, if the REA Administrator is being bothered, there is only one thing to do, and that is to make it an independent agency, which the Senate attempted to do. The bill was defeated. Why? That is a good question. But, remember this, the Secretary of Agriculture, if he wishes, could interfere with personnel, he could interfere with the legal division under the

Humphrey-Price bill, and if he wishes to hurt the Administrator, he still can. And if the proponents of this measure mean what they say, they should adopt what is known as the Curtis bill, if it is in keeping with the rules of the House to mention that, where the REA becomes a completely separate agency which could be operated in the future without any interference whatsoever. But this, in my opinion, is nothing more than another strawman that they have built up.

I want to tell you what I found in the REA. I found on my desk \$200 million of waiting loan applications. I found in the REA about 1,200 to 1,500 of the finest employees who ever worked for the Government of the United States—good people. We revised the procedure under which loans were handled. I was the Administrator. We did it in this way. If it was a good credit risk, where interest and payments were being made, we made the loan. We did not go through all the redtape. The \$200 million of applications melted down to nothing overnight.

We have made more loans under this Administration and better loans, and the power rates are lower and the repayment schedule is better and the delinquency record is better.

For example take generation: 1,116,000 kilowatts of capacity in the last 6 years as compared to 1,145,000 kilowatts of capacity in the previous 17 years. With a total of \$3.8 billion, \$1.2 billion have been made in the last 6 years.

Take the REA telephone program. There were only 7,500 telephones under REA telephone systems in the country prior to 1953. We added 800,000 since that time—think of that. Those who say that the program has been hampered are only building a straw man—and it could well catch fire from some of the hot air that whizzes by.

Now I would like to get down to something else, if time permits. I happen to be a dues-paying member of NRECA. Every year I pay my light bill and every year I pay dues. I believe we need organizations. But I think we need them not for propaganda, but for the best interests of the REA program.

When I came to Washington the word went out, not by journalists of high quality, of which we have many, but by the paid writers, and most of the lines went something like this: "Program running like dry creek," "don't wiggle, little catfish, we are just going to cut your guts out," "REA at the crossroads," "G. and T. program dead," "Power lobby takes over," and so forth.

Those statements appeared in magazines all over the United States.

It was reported that we were going to scuttle the REA program. The straw man gradually became bigger and bigger and bigger and he almost came to life. It took almost all of our time to defend our own position and keep the fact straight. At the same time, the program is better today than it ever has been. I have a personal interest in this program, because when I clean my barn every morning, it is done by electric power—a great help on the farm. And by the way, the substance that goes out is much better in quality than some of

the stuff I hear that passes for political argument.

Mr. BROWN of Ohio. Mr. Chairman, will the gentleman yield?

Mr. NELSEN. I yield to the gentleman.

Mr. BROWN of Ohio. Before the gentleman leaves that point, in what magazines did those articles appear?

Mr. NELSEN. Almost any magazine that would print them. They have appeared in some of our national magazines. Some appeared in trade journals, and what-have-you—whoever would print them. I want to say that many of the people who printed them took them in good faith.

Here is a report from the Government Operations Committee. I was investigated. There are Members on this floor who were on the committee when I was investigated. The charges were a shotgun wedding.

Mr. HOFFMAN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. NELSEN. I yield.

Mr. HOFFMAN of Michigan. Was that the time when those Members from, I believe, southeast Colorado came in and the committee would not hear them? That was the Chudoff Committee.

Mr. NELSEN. That is right. Some of the witnesses were contacted by staff members before they appeared before the committee. It was a shotgun wedding. If you read the report you will find in it, "It has been reported—" "There are those who believe—" "There are some who are of the opinion—" "Rumors are—".

They are not direct charges. And, believe it or not, I was investigated for just one thing that I think is really funny. It does not appear in this report.

I was investigated because I drank coffee with some friends—Republican—in Minnesota. In my opinion the whole investigation was nothing more than taxpayers' dollars being spent on a political hayride to write a political record—to build a strawman. It did not work, not even in a campaign, where of course it was intended to be used, and it was used.

I also want to say this, that this strawman has been built to a great degree by our own national organization, NRECA, of which I am a member. When they are so bold as to send telegrams into my district in political campaigns—when they are so bold as to write speeches attacking me for other men who are running for office to deliver, they are violating the trust that I and my neighbor farmers have placed in them. I regret that it happened. I was tape recorded time after time—recorders followed me around in Denver like little red coaster wagons in the hope that I would slip. NRECA personnel played parts of an Indiana speech, out of context, in New Mexico in the hope that I could be discredited by obvious misrepresentation. It did not work.

I want to say that on their staff are many fine friends of mine. But it is tragic that we should be subjected to these low-level propaganda attacks where facts are misrepresented and

tuned to their own fancy. Many members of this House have come to me on this very issue and a number of them have said, "I do not dare vote against this bill because they will make it appear that I am against rural electrification." The facts will be distorted and twisted by that propaganda front, NRECA. I believe that all of us, whether we be farmers or laborers or businessmen, if we have reached the degree of fear where those who practice a technique of propaganda make us afraid to have an honest difference of opinion, then it is about time we look into a few things.

As to this bill, if we believe that REA has been interfered with, which it has not been, then we should divorce it completely, because remember this: Under this bill you are taking away from the Secretary the right to have a voice in the approval or denial of loans, but you would leave in his hands complete authority as to policy, as to personnel. And what could he do? Who knows what a future Secretary of Agriculture could do to the REA. He could say, "Chris Schultz, we think you should be transferred; Reggie Cole and Roy Zook should go to Alaska; Oz Briden, I don't like the way you trim your eyebrows, move over. And so he could still put the finger on many outstanding men, Ralph Foreman, Bill Eastman, Everett Weitzel, Ray Lind.

He could fire the whole group of dedicated men if he wanted to by making it tough for them. He could go down in the Legal Division and say, "I want you to put a flag on this loan." It could happen.

It is a phony issue. I regret that a program that is so near and dear to the farmers of America should be continually placed in this political crossfire and be used in campaign after campaign.

The Farm Credit Administration has been referred to. I hope the day comes when we can have in this REA program a revolving fund of some kind after the pattern of the Farm Credit Administration, where the farmers can finally run their own business. I am one of them, and we can do it. The REA co-ops in my district pay back more to the Government than they borrow. We could operate with a revolving fund.

That about sums up the remarks I have, Mr. Chairman. I am opposed to this bill because it is phony. If I were to vote for this bill I would be admitting there is something wrong, which there is not. I regret that this measure should be on this floor. I am probably one of the few farmers in this room, and I am one of the few that have been with this program since it was conceived, since it was born, and all through its maturity.

I want to refer to a couple of other gentlemen on this floor and compliment them. I will refer to a couple of issues and problems we settled. We had in Kentucky a problem when I came in, a very difficult one. The gentleman from Kentucky [Mr. NATCHER], who is on the floor, knows about it. The record in the House hearings carries his expression of endorsement of the settlement made. There we finally settled a case that had

been in the courts for years, and long before I came along.

The farmers in Kentucky have as a result one of the finest powerplants in the world. Power costs were cut and a fine plant was salvaged from a problem which I inherited when I came to Washington.

It was our privilege to help out in the settling of the long contested Georgia situation, where the REA preference customers worked out a satisfactory arrangement with the Government on hydropower and the power companies on firming and delivery of the power.

I have personal letters from Marshall Pollock and Jim Polhill of Georgia with the sincerest of thank you's for the help the REA gave them, and I personally enjoyed a thank you from Congressman FLYNT of Georgia.

We worked hard. We did our best. We made mistakes, but when we did, they were honest ones.

Summing up the mechanics of the bill under consideration in detail, it appears that the significance of the bill is far from clear, but it appears that it could have two possible fundamental interpretations, each of which would be equally undesirable for different reasons.

The first possible interpretation is that the bill in effect would vest practically all of the powers relative to the REA in the Administrator, but yet the Secretary of Agriculture would be left under it with the general function of directing and supervising the REA. The bill provides that functions relative to the REA transferred to the Department of Agriculture and its Secretary by reorganization plans of 1939 and 1953 would be transferred to the Administrator of the REA, and that officer would have the authority to approve or disapprove loans without any review by the Secretary of Agriculture.

Now, Reorganization Plan No. 2 of 1939 provides in section 402 that the control of records, property, and personnel of the agencies transferred—including REA—is to be vested in the Secretary of the department concerned. The control of funds was transferred to him by section 403, and the control of personnel was specifically covered by section 404. Now if the functions and activities relative to the REA that were transferred to the Secretary by this plan are transferred back to the Administrator, then all authority over records, personnel, property, and funds would be placed in the hands of the Administrator. The approval of loans would also be in his hands.

But the Secretary of Agriculture would be left in the anomalous position of having general direction and supervision of the REA. Although he would be deprived of the tools needed to perform this function, the Secretary of Agriculture would still be responsible. Only one tool would be left in his hands. Remember, the funds for the REA are advanced to it by the Treasury pursuant to an appropriation made by Congress. Now section 3(a) of the Rural Electrification Act of 1936, as amended, provides:

The Secretary of the Treasury is hereby authorized and directed to make loans to the Administrator, upon the request and

approval of the Secretary of Agriculture, in such amounts in the aggregate for each fiscal year * * * as the Congress may from time to time determine to be necessary.

Thus the determination of the amount of money to be spent by the REA within an appropriation made by Congress would remain in the hands of the Secretary of Agriculture. There is nothing in this bill that would in any way change either section 3(a) of the act of 1936, as amended, or the power of the Secretary under it.

Then, under this first possible interpretation, the Secretary of Agriculture would have general direction and supervision over the REA but practically no authority over the agency for which he is responsible. If the Secretary is deprived of supervision over the end product, how could anyone argue that the REA would be "under the general direction and supervision of the Secretary of Agriculture"? To say the least this would be highly anomalous.

The other possible interpretation of the language of this bill is just as ridiculous. Under this construction the Secretary would still have all possible controls over property, funds, personnel, and procedures of the REA, but he would be deprived only of control over the approval or disapproval of loans. Obviously in this instance it would place the Administrator of the REA in a peculiar position.

The report of the minority of the House Committee on Government Operations spells out specifically this interpretation:

A literal reading of the bill reported by the majority would leave subject to the Secretary's direction and supervision all of the functions and activities of REA except the bare function of approving and disapproving loans. The Administrator in other vital aspects of administering the Rural Electrification Act and the agency would continue to be subordinate to the Secretary, and subject to his direction, supervision, and control, and to the regulations prescribed by him for the government of the Department, the conduct of its officers and clerks, the distribution and performance of its business (other than the act of approving or refusing to approve loans), and the custody, use, and preservation of the records, papers, and property appertaining to it (5 U.S.C. 22). The preparation and submission of annual loan and administrative fund budgets, the appointment and supervision of personnel, the formulation of loan and other administrative policies and procedures, and all the other activities and functions associated with the administration of REA would continue to be under the Secretary's direction and supervision.

Obviously the minority is correct when it says that "such an arrangement is unworkable." Under this interpretation the Secretary could supervise the selection of personnel, he could determine the procedures to be used by the REA, he could determine the funds to be requested in the REA's budget, he would control its office equipment and supplies, loan procedures would be under his control, legal advice and services would be supplied by the Department; but the actual approval or disapproval of loans would not be subject to the Secretary's

control. The final approval or disapproval of loans would be the responsibility of the Administrator alone. It is hard to see how the Administrator could logically be vested with the sole authority to approve or disapprove of loans if the entire operations on which this final act rests are under the direction and supervision of someone else and could be removed from the immediate control of the Administrator.

It is not clear which of these two possible interpretations of the bill is correct. Either one of them would be anomalous, to say the least.

Significantly, neither in 1958 nor in 1959 did the Committee on Government Operations conduct hearings on this specific bill reported to the House. It conducted hearings on a completely different bill that bears no relation to this bill at all. Therefore, the hearings yield no evidence from representatives of the Bureau of the Budget, of the Department of Agriculture, or of REA on how this specific bill might actually be interpreted and applied.

The REA is too important, too vital to American agriculture, for Congress to place it in such an anomalous position.

PROGRESS OF REA PROGRAMS

Profound postwar changes in the character of rural America—including the growth of a large nonfarm population, the increasing use of electricity for farm and home chores, and the development of new rural industries and processing plants—have greatly increased the demand for adequate and reliable electric service in rural areas. In addition, the growing interdependence of city and country has made modern dial telephone service a virtual necessity in rural America. Since 1952, the Rural Electrification Administration has steadily increased the tempo of its activities to help 985 active electric borrowers and 638 rural telephone systems to meet this continuously growing demand for their services.

LOAN NEEDS MET FULLY

Loans to rural electric systems approved during calendar year 1958 totaled \$213.8 million, bringing total electric loans approved since inception of the program to \$3.8 billion. About \$1.2 billion of this total has been made since January 1, 1953. Telephone loans reached the record high of \$102.9 million in calendar year 1958. More than 79 percent of all telephone loans and about 31 percent of all electric loans have been made since January 1, 1953.

EIGHT HUNDRED THOUSAND CONSUMERS ADDED IN 6 YEARS

Some 800,000 new consumers and 180,000 miles of line have been added to the systems of REA electric borrowers since January 1, 1953. The current rate of addition is more than 120,000 consumers a year. Among these new users, nonfarm consumers outnumber farm consumers 3 to 1. Power sales to nonfarm establishments now are greater than to farmers.

Besides this growth in numbers, consumers are using more kilowatt-hours of electricity each year. Annual consump-

tion averaged 3,050 kilowatt-hours per consumer in 1953; in 1958, it was estimated at 4,450 kilowatt-hours. Power sales on systems financed by REA rose 10 percent over 1957 during calendar year 1958, reaching an estimated 21.7 billion kilowatt-hours.

MORE POWER ASSURED FOR RURAL CONSUMERS

Particular attention has been given to borrowers' needs for an expanding supply of power at low cost. REA has pressed the search for more economical means of power production and has assisted borrowers to obtain substantial savings in initial investment and operating costs through interconnection, joint operation, and more efficient generating units.

In calendar year 1958, REA approved loans to provide 214,000 kilowatts of additional generating capacity. Installed capacity stood at nearly 1.3 million kilowatts on January 1, 1959.

During the first 17½ years of the REA electric program, loans provided for a generating capacity of 1,145,000 kilowatts. During the next 6 years—beginning January 1, 1953—loans were approved providing for an additional 1,116,000 kilowatts of generating capacity. Generation and transmission loans have accounted for almost 31 percent of the total loaned for rural electrification since January 1, 1953, compared with 19 percent before that date. Forty-three percent of the 1958 loans were approved for generation and transmission facilities.

During the past 6 years, first loans have been made to five new generation and transmission cooperatives. In addition, one cooperative has successfully negotiated with AEC for construction of a nuclear reactor as part of AEC's power demonstration program, and 20 borrowers or groups of borrowers have obtained access permits for information from AEC. REA itself is keeping abreast of nuclear developments.

FARMERS PAY LESS FOR ELECTRICITY

The average price of power paid by rural residential consumers has dropped more than three-fourths of a cent per kilowatt-hour since 1952. This is due largely to the increased use of electricity. The average price is now about 2.68 cents per kilowatt-hour, lowest in REA history. The wholesale cost to REA distribution borrowers is also at a record low—about 8 percent lower than in 1952.

BETTER TELEPHONES AND MORE OF THEM

In early 1953, only 40 REA telephone borrowers had cut over 85 dial central offices to bring new or improved service to 7,500 subscribers. As of January 1, 1959, 488 borrowers had cut over 1,855 new dial exchanges. Loans approved since January 1, 1953, will benefit about 800,000 farm families and other rural subscribers. Total telephone loans to date will benefit about 1,100,000 rural subscribers.

BORROWERS BUILD FINANCIAL STRENGTH

Given encouragement toward independence and self-reliance, REA borrowers have made substantial financial progress since 1952. Net worth of electrification borrowers has more than tripled, increasing from \$161 million at

the end of December 1952 to \$512 million on December 31, 1958.

During the 6-year period January 1, 1953, to January 1, 1959, the number of electrification borrowers behind in their loan payments dropped from 45 to 6. In the same period, the balance of payments on debt made in advance of due dates rose from \$52.5 million to about \$139 million. In the much newer telephone program, the balance of advance payments amounts to \$1 million and all but 16 borrowers are current or ahead of schedule on debt payments.

EFFICIENCY BENEFITS ALL

REA has streamlined its procedures to speed processing of loans, to give improved service to borrowers, and to reduce administrative costs. With 11 percent fewer employees today than in 1952, REA is administering much bigger electric and telephone programs. Working with industry, REA carries on constant research to hold down construction costs and to improve performance and service.

PLANNING FOR FUTURE GROWTH

To help borrowers keep ahead of new power demands, REA has developed new techniques of long-range planning for rural electric systems. As a result, borrowers will be able to schedule construction several years in advance and to expand at minimum cost. New telephone construction also is being planned to meet needs over an extended period.

The effect of this bill is to leave the Rural Electrification Administration within the Department of Agriculture subject to the general supervision and direction of the Secretary of Agriculture except that the Administrator of REA would have authority to approve or disapprove loans without the supervision or direction of, or any other control by, the Secretary of Agriculture. This would be an administrative monstrosity.

The hearings on this bill failed to produce any evidence that the Rural Electrification programs were being interfered with by the Secretary of Agriculture or anyone else in the executive branch. REA Administrator David A. Hamil has testified:

In not a single instance has Secretary Benson or Director Scott interfered in the discharge of my responsibilities as Administrator of REA. I make the loans.

The charge has been made that the Eisenhower administration is destroying REA. The REA-financed systems have never been in stronger position than they are at this time. Here are some facts from the record:

First. The greatest progress ever during the last 6 years. Loans of \$1.2 billion were made during this period compared to \$2.6 billion loaned in the previous 17½ years of the program.

Second. Power sales nearly 22 billion kilowatt-hours—double sales in 1952.

Third. Borrowers delinquent on loans dropped from 45 to 6—systems \$139 million ahead on payments.

Fourth. Net worth of cooperative borrowers more than tripled. REA has come of age—it has matured.

Fifth. Over 95 percent of the farms and ranches of America have electric power.

Sixth. Seventy-five percent of new customers being added are industrial and nonfarm residential consumers.

Seventh. One-half of total power sales by REA system is for nonfarm use.

Since the adoption of Reorganization Plan No. 2 of 1939 the Rural Electrification Administration has been within the Department and subject to the general direction and supervision of the Secretary of Agriculture. The purpose of this action and of Reorganization Plan No. 2 of 1953 was to centralize in the Secretary responsibility for effective administration of all programs within the Department. This coordination of responsibility and authority is in line with the sound congressional policy of vesting functions directly in the Department heads so that they can be held accountable for the performance of their agencies.

For about 20 years REA has been effectively accomplishing its purposes under the general supervision and direction of the Secretary of Agriculture. The REA programs have been especially successful during the past 6 years.

During the hearings on Reorganization Plan No. 2 of 1953 Secretary Benson assured the committee that he would make no major changes in the REA organization without consulting with the Congress and making known such proposals to the public prior to their becoming effective.

Recently, Secretary Benson said:

I have made no major change in the REA organization or policies. I have transferred no functions or powers from REA. I have adhered to my assurances and the provisions of Reorganization Plan No. 2 of 1953.

[From REA Fact Sheet, Jan. 14, 1959]

ELECTRIFICATION PROGRAM

FARMS ELECTRIFIED

Percent of U.S. farms electrified: About 96 percent.

Number of consumers served by REA financing, 4,590,000.

Percent of farms among REA consumers: 66.5 percent in 1951; 58.2 percent in 1955; 55.9 percent in 1958.

Present rate of growth of nonfarm consumers: 3 to 1 over farm.

BORROWERS

Total number of borrowers, 1,081.

Active borrowers, 985.

Number of cooperative borrowers which have repaid loans in full from revenues, 8.¹

Loans and advances as of Dec. 31, 1958

Loans since start of program in 1935	\$3,847
Funds advanced since start of program	3,255
Total unadvanced funds	592

¹ Henry County Rural Electric Membership Corporation, New Castle, Ind.; Gowrie Rural Electric Cooperative Association, Gowrie, Iowa; Boone County Rural Electric Membership Corporation, Lebanon, Ind.; United Rural Electric Cooperative, Kenton, Ohio; Hendricks County Rural Electric Membership Corporation, Danville, Ind.; Alcorn County Electric Power Association, Corinth, Miss.; Noble County Rural Electric Membership Corporation, Albion, Ind.; Logan County Cooperative Power and Light Association, Bellefontaine, Ohio.

Electrification loans, 1950-58

Fiscal year	Gross amount	Amount for generation and transmission
1950	\$376,199,000	\$135,985,195
1951	221,815,500	50,608,585
1952	165,758,731	62,194,979
1953	164,972,662	36,713,205
1954	167,104,100	31,238,480
1955	167,530,430	41,120,670
1956	189,804,800	61,251,939
1957	300,461,514	120,143,676
1958	241,636,869	86,338,132

Loans and advances in calendar year 1958

Loans	\$213,802,000
Funds advanced	203,342,000

Repayments as of Nov. 30, 1958

Principal repaid since start of program	\$579,000,000
Interest paid since start of program	\$346,000,000
Balance paid ahead of schedule	\$137,000,000
Number of borrowers delinquent	5
Amount in arrears over 30 days	\$117,000

Repayments in calendar year 1958 (through Nov. 30)

Principal repaid	\$72.1
Interest paid	39.8
Increase in balance of payments made ahead of schedule, Dec. 31, 1956-Nov. 30, 1958	193

GROWTH IN USE OF POWER

Sale of power by REA systems by selected fiscal years: ¹ 1945, 2.1 billion kilowatt hours; 1950, 6.2 billion kilowatt hours; 1955, 14.5 billion kilowatt hours; 1958, 20.7 billion kilowatt hours.

Input of power in 1958, 23.7 billion kilowatt hours.

Anticipated input in 1963 (REA estimate—current year, 39 billion kilowatt hours.

FINANCIAL GROWTH

Gross revenues: 1952, \$321 million; 1958, ² \$563 million.

Net margin: 1952, \$24.5 million; 1958, ² \$73.3 million.

Net worth: 1952, \$161 million (7.7 percent); 1958 ² \$512 million (16.4 percent).

TELEPHONE PROGRAM

Number of telephone borrowers: December 31, 1952, 231; December 31, 1958, 638.

Loans and advances as of Dec. 31, 1958

Loans since start of program in 1949	\$526.5
Funds advanced since start of program	355.4
Funds unadvanced	171.1

Loans and advances in calendar year 1958

Loans	\$102.9
Funds advanced	88.9

Repayments as of Nov. 30, 1958

Principal repaid since start of program	\$8,900,000
Interest paid since start of program	\$6,800,000
Balance paid ahead of schedule	\$1,000,000
No. of borrowers delinquent	18
Amount in arrears	\$386,000

¹ Net sales which excludes sales from one REA borrower to another.

² Preliminary.

Growth in service to subscribers

	As of Dec. 31, 1954	As of Dec. 31, 1956	As of June 30, 1958
Number of borrowers re- porting.....	176	402	556
Telephones in service.....	168,000	468,000	756,000
Subscribers receiving—			
Service.....	157,000	432,000	694,000
Initial service.....		126,000	217,000
Dial service.....		300,000	538,000
Initial dial service.....		272,000	450,000

Growth in revenues

	Number borrowers reporting	Total operat- ing revenues
For 12 months ending—		
Dec. 31, 1954.....	176	\$8,162,000
Dec. 31, 1955.....	285	16,359,000
Dec. 31, 1956.....	406	26,714,000
Dec. 31, 1957.....	515	40,835,000
June 30, 1958.....	556	47,996,000

Mr. FASCELL. Mr. Chairman, I yield such time as he may desire to the gentleman from Indiana [Mr. DENTON].

Mr. DENTON. Mr. Chairman, during a colloquy with the gentleman from Illinois [Mr. ALLEN], yesterday, I discussed the application of the Indiana REA's for an REA loan to construct a powerplant at Petersburg, Ind., and I would like to add to that statement, as I believe the situation in Indiana shows the necessity for this legislation.

It has been said that no application has been turned down because of the order of 1957 giving to the Secretary of Agriculture the power to review applications for REA loans exceeding \$500,000. While it is true that the Indiana application has not been actually turned down, nevertheless it was filed in 1957 and no action has been taken on it. It is just the difference between saying "You can't have the money" and not giving it to you.

It has also been said that the Indiana application has been withdrawn. This is what actually happened. Nine Indiana REA's made application for this loan to build the powerplant. Since that time, seven additional REA's have sought to join in this application, and the application has been withdrawn, as everyone in the REA knows, to be refiled with 16 applicants instead of the original nine.

When the REA was established, it was an independent agency. By giving the Administrator a long term of office of 10 years, it was the intent of Congress that he would be free from political influence. You will notice that his position was very different from that of the Secretary of Agriculture, who is a political appointee and whose term of office would naturally expire with a change of administration.

Since the inception of the REA, the Administrator has had the authority to approve all loans. Claude Wickard had such authority, as did David Hamil until the order of 1957, which gave the Secretary of Agriculture the power to review applications for loans over \$500,000. If the Secretary of Agriculture already had this power, why was it necessary to issue this order? If we concede that the Reorganization Plan No. 2 of 1953 gave the

Secretary of Agriculture this power, he had never exercised it. Furthermore, when the Senate Government Operations Committee was considering Reorganization Plan No. 2 of 1953, the committee was fearful that the Secretary of Agriculture, rather than the REA Administrator would approve these loans; however, Secretary Benson assured them that no change would be made in the REA procedure, unless and until both of the interested committees in Congress were given knowledge of this fact.

As we know, however, Secretary Benson did change that procedure, but has yet to give the interested committees notice. The manner in which the Indiana REA's application for loan was handled demonstrates the need for remedial legislation. As I pointed out in my colloquy with the gentleman from Illinois, the REA Administrator, Mr. Hamil, was processing the application of the Indiana REA's for a loan to build the powerplant at Petersburg, Ind., in the regular manner, when political influence entered the picture.

The Public Service Commission of Indiana, which passes on many phases of the REA's activities, at the request of the Governor of Indiana, lobbied against this application. Public service commission officials conferred with Secretary Benson and Mr. Hamil. After that meeting, conference was held at the White House presided over by Sherman Adams, and immediately following, Secretary Benson issued the order giving himself the power to review loan applications over \$500,000 and set up a procedure in his own department to place this authority under one of his assistants. As a result of that action, the loan application of the Indiana REA's has not been approved.

At every crossroads in the State of Indiana during the last political campaign, my party charged that political consideration prevented this loan from being approved, and I never heard this charge denied. In fact, toward the end of the campaign, the opposition apparently came over to our side and indicated that they thought this loan of the Indiana REA's should be approved. It would be difficult to convince the users of REA electricity in Indiana that this loan was not denied because of political considerations.

Approval of this loan would have been very beneficial to the State of Indiana for several reasons: First, it would have enabled the users of REA electricity to receive cheaper electric rates; and second, since this plant would have been built in the district I represent at Petersburg, Ind., in the coalfields where there is much unemployment, it would have brought about greater employment both at this plant, and in the coalfields which would supply coal to the plant. In addition, construction of this plant would bring other industries into the district, such as an aluminum plant, which was proposed at the time the Indiana REA applied for a loan to build the Petersburg plant.

I have a personal reason for wanting to see this legislation enacted, because I do not believe that this loan will ever

be approved if Secretary Benson has the right and power to pass on these loans. Also, this same thing might happen in your State—in the district you represent.

The example of the Indiana REA illustrates strongly that we should return to the original intent of the law, that these loans should be processed by the REA Administrator who will not be subject to the same political pressure as might be brought to bear on the Secretary of Agriculture.

(Mr. DENTON asked and was given permission to revise and extend his remarks.)

Mr. FASCELL. Mr. Chairman, I yield such time as he may desire to the gentleman from South Dakota [Mr. McGOVERN].

(Mr. McGOVERN asked and was given permission to revise and extend his remarks.)

Mr. McGOVERN. Mr. Chairman, I have long believed that the Federal rural electrification program which has been operating since 1936 is the finest possible example of grassroots democracy. No one can fully evaluate the tremendous contribution that rural electricity has made to the development of our Nation.

The blessings of REA to the farm families of America are realized in the form of electric lights, refrigeration, washing machines, telephones, and power equipment such as milking machines feed grinders, pumps, and numerous other labor-saving devices. Every main-street in a rural area as well as the factories of the Nation have felt the stimulus of millions of dollars of farm purchases of appliances, machinery, and equipment for REA users.

The program has been an inspiring experience in democratic living as farmers have joined together to form REA cooperatives which they have managed and directed with great skill. REA loans have been repaid to the Treasury ahead of schedule and in spite of the low 2-percent interest rate, the Government has shown a net profit of millions of dollars during the near quarter of a century that the program has operated.

Up until 1953, the REA Administrator, presumably the man best equipped for such functions, had full authority to pass on REA loan applications. Since that time, under Government Reorganization Plan No. 2, the Administrator's loan-making authority has been given over to the Secretary of Agriculture for those loans in excess of \$500,000.

The legislation now before us would restore full loan-making authority to the REA Administrator. This legislation, known as the Humphrey-Price bill, because of its sponsorship by the distinguished Senator from Minnesota and our able colleague, the gentleman from Illinois [Mr. PRICE], seemed so essential to me that I introduced similar legislation—H.R. 3029—early in this session and testified in its support before the House Government Operations Committee.

It is my strong conviction that the future growth and integrity of rural elec-

trification rests considerably upon our approval of this legislation.

As matters now stand, the REA Administrator has been stripped of his most important function. The careful investigation and approval or disapproval of loans requested by rural electric groups is the major responsibility of the Administrator. When he is deprived of this authority and his functions are transferred to the Secretary of Agriculture, the dignity of REA and the authority of its Administrator to make loans based on nonpolitical considerations are jeopardized.

It has always been the intent of Congress that REA loans are to be made provided they meet proper feasibility criteria. Political considerations or personal inclinations have no place in this decision.

Why, then, should the Administrator best equipped to pass on the technical characteristics of a loan request have his judgment overruled by another official? The REA Administrator has a competent technical staff that has already investigated the merits of a loan application before it is sent on to the Secretary of Agriculture for review. What kind of a review is then made by the Secretary? Is it another technical review? If so, is not this a case of wasteful duplication of effort. If it is not a technical review, can it be a political test or some other hurdle based on the personal philosophy or prejudices of the Secretary of Agriculture? If so, the quicker we stop this practice, the better it will be for the rural electric users of the country.

Although I have a particular lack of confidence in the present Secretary of Agriculture and the present administration's attitude toward REA, I would not want any Secretary of Agriculture, Democratic or Republican, duplicating the functions of the REA Administrator or overruling his judgment on loan decisions.

On the other hand, I see nothing to be gained and much that could be lost in the more extreme proposals that have been made to set up a completely separate Rural Electrification Administration independent of the Department of Agriculture.

If we pass the legislation before us to restore the loanmaking authority of the REA Administrator, REA can continue to benefit from its relationship to the Department of Agriculture more than it would from a completely independent status as a new agency.

As an independent agency it would lose the present benefit of a Cabinet level spokesman in the fight for appropriations. Furthermore, the congressional committees now handling REA matters have had long experience with the program. This does not mean that a new set of committees would be hostile, but a continuation of the present committee responsibility leaves rural electric leaders and members with a more certain knowledge as to where they stand with the Congress. Finally, why should we add further to the maze of Federal agencies by creating yet another new one when historical experience demonstrates that the existing operation can be made

fully effective through the moderate proposal contained in the Humphrey-Price legislation?

I strongly urge the Congress to act favorably on this legislation by restoring the loanmaking authority of the REA Administrator.

Mr. BROWN of Ohio. Mr. Chairman, I ask unanimous consent that all Members have the privilege of extending their remarks at this point or in the Appendix of the RECORD on this bill.

Mr. FASCELL. I will make a request when we get back into the House that Members may extend their remarks in the proceedings on the bill, but I have already agreed to yield to Members at this point.

The CHAIRMAN. The request is withdrawn.

Mr. FASCELL. Mr. Chairman, I yield such time as he may consume to the gentleman from Missouri [Mr. BROWN].

Mr. BROWN of Missouri. Mr. Chairman, I appreciate the courtesy of the committee in allowing me to make some remarks about this bill.

I want to congratulate the distinguished chairman of this committee for this constructive measure.

I enthusiastically support this bill. I feel very deeply that any board, agency, or administrator in Government charged with the responsibility of making loans should be free and independent of political control or veto by a Cabinet member. Congressional appropriation power and congressional legislative power are sufficient political supervision and policy control.

To subject loans to political approval by a Cabinet member is to invite abuse. A Cabinet member is a political appointee, whose term of office is concurrent with and dependent on the President's tenure. In a given 4-year period, you might get one who is completely out of sympathy with the agency's purpose and operation. If so, he could scuttle or strangle it by disapproving loans unjustifiably.

Conversely, the Cabinet member in another period could be overzealous and want to extend the agency's functions far afield from the original purpose; and he might approve excessive loans unjustifiably.

Or, through prejudice and favoritism, the Cabinet member could grant some loans and deny others, and thereby abuse his authority.

As a matter of principle, it is a mistake to superimpose a Cabinet member or a combination of Cabinet members over and above any loan-making agency.

And, Mr. Chairman, I submit that I am not alone in that belief. Last year, the Small Business Committee of the House—of which I am a member—held extensive hearings on equity capital and long-term loans for small business.

In April, we were in the process of formulating a bill to submit to Congress creating capital banks, and we were getting the counsel of the members of the Board of Governors of the Federal Reserve. One of the bills provided an ex officio loan policy committee at the top of the organization structure, a commit-

tee comprised of the Secretary of the Treasury and the Secretary of Commerce as two of three members.

Gov. James K. Vardemann opposed this idea vehemently, stating in part—and I quote the printed transcript of the hearings:

The biggest objection to them—

Meaning the Secretary of the Treasury and the Secretary of Commerce—is that they are partisan national political creatures. They are appointed by the President, as his Cabinet, and as such they are going to follow the party line as dictated by the President.

Governor Vardemann pleaded for an independent policy board, subject only to congressional appropriation control; and, quoting the governor further in the hearings:

Once you put the men on this Board, they should be free of political and economic domination from any individual group, or party or anybody else during their term of office.

It has been said that an administrator is, in fact, a political appointee of the President approved by the Senate. But oh—there is a big difference—the independence of tenure. The REA Administrator serves for 10 years. He will serve under at least two Presidents. His tenure makes him, at least, a semipolitical appointee with indisputable independence, if he's half a man.

The REA is a Federal lending agency. It exists for the express purpose of making loans to further rural electrification. The approval of those loans is the function of the REA Administrator and his large and capable staff. The decision as to whether or not a loan should be made is supposed to depend on the merits of each case. If a loan applicant qualifies for a loan, and if the REA Administrator finds the loan is feasible from an economic and engineering standpoint, that loan is supposed to be in order. The loan is not supposed to pass any sort of political or philosophical test imposed by any member of the President's Cabinet. The people's Congress can apply ample philosophical and policy control.

Yet we find that without the knowledge of Congress, the Secretary of Agriculture directed that applications for loans over \$500,000 be sent over to his office for approval. This gave the Secretary a veto power over some 80 percent of the loans, dollarwise, made by the REA last year.

Now I don't know whether the present Secretary of Agriculture has exercised or abused this authority. I suggest that we could just concede that the present Secretary—Mr. Benson—is as perfect as he says he is, that his intentions are as pure as the driven snow. But what about the next Secretary or the one after that?

No Secretary of Agriculture should have review authority or veto power over any REA loan, \$5,000 or \$500,000. And, I suggest that some of the people who so strongly favor this setup while they have their Secretary will be sick of it when they lose their Secretary. This authority lodged in a political appointee casts a political shadow over the REA procedure where there was none before.

I think this bill will eliminate that shadow. I think it will restore the faith of rural people in the loan procedures of the Rural Electrification Administration. I think it will restore the independent, nonpartisan stature which REA must have if it is to fulfill its original purpose.

Mr. Chairman, I am proud to support this measure and I sincerely hope it will receive the favorable consideration of this committee and the Congress.

Mr. FASCELL. Mr. Chairman, I yield such time as he may consume to the gentleman from California [Mr. ROOSEVELT].

Mr. ROOSEVELT. Mr. Chairman, the words of the majority leader, Mr. McCORMACK, and the other able Members who have spoken in support of this bill clearly prove its justification and need.

Mr. Chairman, there are many valid and practical reasons for the enactment of H.R. 1321. I merely want to emphasize two of these many reasons for I believe they are at the heart of the matter.

First, it should be noted that Congress intended that the REA Administrator exercise independence of judgment far removed from political or partisan considerations. This intent has not been followed since 1957 when the Secretary of Agriculture took over the loanmaking authority of the Administrator. No one has really been successful in discovering the standards which have been established for the loan review setup.

Second, the past history of the operation of the REA does not warrant the interference in loanmaking policy by the Secretary of Agriculture. The record shows that REA functioned efficiently and successfully from 1939 to 1957. During this period REA was under the general supervision and direction of the Secretary of Agriculture, but the REA Administrator had the final say-so on loans. This concept of independence of departmental control in specified matters is practiced by other Government agencies such as the Department of Commerce, to cite just one example.

During the 1939-1957 period, we saw great advances in farm electrification. Three billion dollars in sound loans have been made, with \$1 billion already paid back to the Government. H.R. 1321 proposes to restore REA to the position it had during the 23 years in which a successful record was achieved. I hope this legislation will be overwhelmingly supported.

Mr. FASCELL. Mr. Chairman, I yield such time as he may consume to the gentleman from Nebraska [Mr. BROCK].

Mr. BROCK. Mr. Chairman, I rise in support of the pending measure, H.R. 1321.

I am not a Johnny-come-lately in the REA field. I have had the honor and privilege of consulting with the late Senator George Norris, Nebraska, the father of the REA, when this program was being formulated for subsequent legislative action. During the ensuing years, it has been my further privilege to continuously work in conjunction with the REA representatives, the rural public power people throughout the country, as well as serving in the official capacity

as president of my own public power district for 14 years. In fact, it became necessary for me to resign my position as vice president of the State of Nebraska REA in order to run for my present office as a Representative in this body.

Because of these former connections over the period of years, in which the REA was developing into a stable, helpful and necessary agency, the future of this agency gives me great concern. My personal knowledge of its needs to function properly for the purpose it was created prompts my remarks on this occasion. It is also my knowledge that the REA consumers throughout the United States want the membership on both sides of the aisle to support this measure.

The National Rural Electric Cooperative Association, composed of the membership of similar electric cooperatives in the several States, including my State of Nebraska, has taken a definite position on this legislation. Our experience in dealing with the existing authority and control of REA, within the jurisdiction of the Secretary and Department of Agriculture, has been very unsatisfactory. Ninety percent of the rural electric systems in the United States have gone on record as opposing the present setup of the REA. They have expressed their views in convention assembled as recently as February of this year. They resolved to ask the Congress to restore the REA to the status of an independent agency, the status which was the original intent and purpose of the Congress when REA first came into being. The rural electric systems, who are the borrowers from REA, have no confidence in the policies of the Secretary of Agriculture and are unalterably opposed to his usurpation of the powers previously granted to the REA Administrator.

The Speaker himself, when addressing the recent annual meeting of the delegates from the rural electric systems said:

We in the Congress do not believe that this should be administered by any Cabinet officer, but we believe it should be administered by an Administrator appointed for the purpose for which he should be, and one whose vital interest is in this program.

Mr. Chairman, those words were well chosen, and emphasizes the fact that the Secretary of Agriculture is not only out of step with the original intent and purpose of the Congress when it created the REA, nor has he at any time exhibited even a sympathetic interest in the expanding programs of the REA, which has contributed much to a better life for our stable rural citizens.

The Benson order of May or June 1957, which stripped the REA Administrator of the loan powers he previously exercised without interference, fits into a master plan that has for its objective the ultimate destruction of the REA program, as we have known it and seen it function successfully for the past 24 years.

Mr. Chairman, if we are going to legislate the loan authority back to final jurisdiction of the REA Administrator, it stands to reason that we should go the

whole cloth, and restore the agency back to its original independent status.

The Speaker also stated to the delegates:

We in the Congress intend, if fighting will do the job, if using reason and good common-sense will do the job, to keep rural electrification on the track it has been running for nearly 25 years.

Mr. Chairman, this appears to be good sound logic.

Mr. FASCELL. Mr. Chairman, I yield such time as he may consume to the gentleman from Alabama.

Mr. BROWN of Ohio. Mr. Chairman, just a moment. The minority was given to understand a few moments ago, upon inquiry made of the majority, that there would only be one speaker, one remaining speaker on that side, and for that reason we yielded back the remaining time on this side. I just wonder how many Members are going to make speeches after we had that understanding.

Mr. FASCELL. Mr. Chairman, our concluding speaker is a member of the committee, and we have two more—

Mr. BROWN of Ohio. I know, but we had what I thought was the concluding speech and then we have had two or three speeches here already after agreement was made that there would be one remaining speaker on the majority side and one on the minority side when with that understanding we yielded back the time.

Mr. FASCELL. I am sorry the gentleman misunderstood.

Mr. BROWN of Ohio. Well, the record speaks for itself.

The CHAIRMAN. The time being used now is the time of the gentleman from Florida since the time of the gentleman from Ohio has expired.

Mr. BROWN of Ohio. Mr. Chairman, I understand that the time of the gentleman has expired. I have been here a long time and I understand the rules of the House, I may say to the Chair, but I also understand that there is an agreement made between the majority leadership in control of this bill and the minority leadership in charge of this bill that there was only one remaining speaker on that side, and since that time we put on our one remaining speaker, and then there have been several speakers in support of the bill. I am just inquiring now, how many more speakers we may expect to hear from under that previous agreement. I would just like to find out where we are.

Mr. FASCELL. Mr. Chairman, I yield the balance of the time to conclude debate to the gentleman from Iowa [Mr. SMITH].

(Mr. SMITH of Iowa asked and was given permission to revise and extend his remarks.)

Mr. PRICE. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Iowa. I yield.

Mr. PRICE. With the permission of the gentleman from Iowa, I take this time to set the record straight on the comparative amounts of funds appropriated to the REA in recent years, since frequent reference has been made to this factor in the debate on the bill.

The average per year appropriations for the REA during the period of 1946 to 1953 was \$281 million a year. During the term as REA Administrator, the gentleman from Minnesota [Mr. NELSON], who has just addressed the House, the average per year appropriation was \$175 million a year.

During the last 2 years, 1957 and 1958, the average per year appropriation was \$271 million. This would indicate a considerable lead during the period from 1946 to 1953.

The following table will indicate just the amount of the loans approved:

Gross REA electric loans since World War II
[In millions]

FISCAL YEAR AND AMOUNT APPROVED	
During term of Claude Wickard, Administrator:	
1946-----	\$291
1947-----	256
1948-----	319
1949-----	449
1950-----	376
1951-----	222
1952-----	166
1953-----	165
Average per year-----	281
During term of Ancher Nelsen, Administrator:	
1954-----	167
1955-----	168
1956-----	190
Average per year-----	175
During term of David Hamil, Administrator:	
1957-----	301
1958-----	242
Average per year-----	271

Mr. SMITH of Iowa. Mr. Chairman, the gentleman from Minnesota [Mr. NELSEN] has made a very fine argument on how well this program worked before the secret order involved was issued and before the famous rendezvous at the White House, including anti-REA people, Sherman Adams, and the Secretary's representative, Mr. Scott. It is a fine presentation of how well it worked before that time.

He has also rendered a service in pointing out to this body how important it is that these programs continue to expand, for this reason: As technology brings forth more electrical conveniences and as farmers can, they want to add to the electrical machines used on the farm. This is the reason we must continue to expand the supply of electricity. There is also a great benefit resulting to those who produce and merchandise electrical equipment.

He also makes another point I would like to discuss. As I understand, he says that the Secretary of Agriculture will still be able to render harm to the REA program, even if this bill is passed. I submit that is true. But we cannot, until 1960, cure that situation. Congress cannot change the Secretary of Agriculture—that is a decision for the voters in 1960. In the interim all we can do is whatever can be done by passage of legislation. That is the reason for the bill under consideration.

In summarizing the arguments on the bill under consideration, I would like to say that it is in essence a bill to outlaw the use of a concealed weapon. The

concealed weapon in this case is the secret oral order issued by the Secretary of Agriculture in 1957 following a conference of anti-REA people at the White House. The weapon even changes caliber from time to time. One time, when the Director of Agricultural Services, Mr. Scott, came before the committee, he said the order applied to all loans over \$500,000. The next time it was on all loans over a million dollars. For all we know, it may be applicable to all loans over \$1,000 today. There is no way of knowing. It is one of those concealed weapons that is so difficult to control that you must outlaw it.

The arguments used on this floor to oppose this bill are the same arguments used by defendants being prosecuted for carrying a concealed weapon. The argument in both cases has been, "Why prosecute me? You have not proved that I killed anybody yet." There is obviously a greater reason involved for this secret order that was issued than what has generally been conceded by the opponents of this bill.

I point to page 40 of the hearings and to questions asked of Mr. Scott by myself and others. It was pointed out at that time that through this order, Mr. Scott could do to the REA program the same thing he did to the watershed program, wherein he instituted a policy which said: "You cannot receive a watershed loan unless you can prove to me that you cannot get the loan elsewhere."

Under these loans, the amount of interest cost to the applicant can be important. Under the order in the watershed program, you had to get a loan elsewhere if you could regardless of the interest cost. That same policy could be instituted here. It would be easy to do under this kind of order if it is allowed to stand and would be consistent with the announced plan of the administration to raise interest rates on REA loans.

The gentleman from Ohio [Mr. BROWN] and others have said that there was no testimony given or taken that the Secretary of Agriculture has ever interfered in any way with the Director of REA in making these loans. The gentlemen from Indiana [Mr. DENTON and Mr. WAMPLER] spoke about one case in Indiana. Now maybe Mr. Benson was not there but his assistant, Mr. Scott, was there and I say what difference does it make if the assistant Mr. Scott is there instead of Mr. Benson and especially when Sherman Adams was there, too? What more do you need to electrify the rural electric communities of America and cause alarm in those communities?

Certainly it would, and it did; and as a result there appeared all of these items that were mentioned in the various farm journals and publications of the country. REA users became concerned because administration of the REA program had been thrown headlong into politics.

I think I should point out also that this bill, if amended as proposed by the committee, will not be the same bill that was originally introduced. There were some objections to the wording of the bill, and the committee is proposing to substitute the provisions of a bill I hap-

as amended should meet the objections pened to introduce, H.R. 5688. The bill heard to the wording of H.R. 1321. In considering this revised bill, I say you will have to be a great friend indeed of this administration's high interest policy and the Secretary of Agriculture to vote against this bill.

I urge you to vote for the bill for the benefit of the rural electric communities of America and those who produce and sell and repair electric appliances.

The CHAIRMAN. The time of the gentleman from Iowa has expired; all time has expired.

The Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of Reorganization Plan Numbered 2 of 1953 shall not hereafter apply to the Rural Electrification Administration, and there are hereby transferred to the Administrator of the Rural Electrification Administration all functions which were transferred from the Administrator to the Secretary of Agriculture by such reorganization plan; and notwithstanding the provisions of section 5 of Reorganization Plan Numbered 2 of 1939, or the provisions of any other law, any action of the Administrator of the Rural Electrification Administration with respect to the approval or denial of loans authorized to be made under the provisions of the Rural Electrification Act of 1936, as amended, shall be the sole responsibility of the Administrator.

With the following committee amendment:

Strike out all after the enacting clause and insert the following: "That the functions and activities of the Rural Electrification Administration and the Administrator of the Rural Electrification Administration which were transferred to the Department of Agriculture and to the Secretary of Agriculture by Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953 are hereby transferred to the Administrator of the Rural Electrification Administration, and shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture; except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture."

Mr. HOFFMAN of Michigan. Mr. Chairman, I move to strike out the last word.

(Mr. HOFFMAN of Michigan asked and was given permission to revise and extend his remarks.)

WILL CONGRESSIONAL POLLY AID RUSSIA TO ESTABLISH COMMUNISM THROUGHOUT WORLD?—RUSSIA'S PURPOSE

Mr. HOFFMAN of Michigan. Mr. Chairman, speaking generally, we have accepted the theory that the present purpose of Russia is to establish communism throughout the world—destroy what we are pleased to call the free world.

We assume that self-preservation now demands that as a people and a nation we do our utmost to defeat that objective. We likewise seem to admit that as a nation we are so weak in national re-

sources, in economic strength, in technical knowledge, in military ability, that we are dependent upon other nations for our continued existence.

It is true that, since the adoption of the Marshall plan, in opposing the spread of communism, we have, through foreign aid, spent some \$22.759 billion for military supplies and services; \$34.516 billion in economic and technical aid grants; and \$14.277 billion in new credits or loans. Apparently, we have accepted as our duty the policy of making loans and extending financial and technical aid, the actual value of which cannot be estimated.

Surrendering a part of our national independence, of the control of our own destiny, we became a part of the United Nations which has 82 members; we became a part of a military alliance with 14 other nations when we became a member of NATO; we are now bound in a common bond which binds us to participate in every war in which any of our allies may become rightfully or wrongfully involved.

We are no longer the masters of our destiny.

We are no longer a free and independent nation.

Economically and militarily, we are but one nation of a group. The Congress is no longer the sole authority to involve us in war, even though the Constitution so provides.

Our material resources, including as well the youth of our land and our scientific knowledge, are handcuffed to the decisions of those in control in other lands.

Although we no longer have the ability to abstain from war or to formulate our own foreign policy—those in control now have the authority—it is still our duty—one imposed by the necessity of self-preservation—to do everything within our power to make ourselves strong and competent to wage successful warfare if that be forced upon us.

This would seem to lead to the conclusion that releasing information which would give aid and comfort to our enemies would be supreme folly, this notwithstanding the theory that, ours being a people's Government, the people are entitled to all information within the possession of the executive departments, including the Department of National Defense.

It is a matter of common knowledge that not only has the Defense Department spent billions of dollars, employed the country's topmost scientists, in an effort to give us the best possible offensive and defensive weapons available, but that it has from time to time as a result of its research work devised new and more efficient offensive and defensive weapons, discarding the old, the obsolete, devising and producing the new and better.

Progress has been made through secret investigations and experiments, through the continuance of employment of those in the position of advanced scientific knowledge. It is acknowledged that most amazing progress has been made because of the employment of those with special and superior knowledge, because of ex-

periments which have been carried on through the observation not only of people but of animals.

Being under the necessity, if we are to survive, of being first rather than second best in preparation for defense, it necessarily follows that, if we are to win over our competitors, it is folly to advise them of each progressive successful step we take. In the press a few days ago there appeared a statement by General Thomas S. Power, the Nation's Strategic Air Commander, advising that he had, in substance, warned the Congress that it was risking the whole country if it did not vote more money for both Atlas, ICBM's and atomic bombers than the amount requested by President Eisenhower.

Then, a few days later, we heard from General Power's superior, General Thomas D. White, Air Force Chief of Staff, to the effect that we were prepared and apparently General Power did not know all on the subject he was talking about. It leaves us all somewhat confused as to the exact situation.

The controversy continues.

This morning to my desk came a letter from the general counsel of the Department of Defense, which enclosed a letter dated March 30, 1959, written to the Secretary of Defense by Mr. Moss, chairman of the Subcommittee on Government Information of the House Government Operations Committee, and which reads as follows:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES
SPECIAL GOVERNMENT INFORMATION
SUBCOMMITTEE OF THE
COMMITTEE ON GOVERNMENT OPERATIONS,
Washington, D.C., March 30, 1959.
HON. NEIL H. McELROY,
Secretary of Defense, Department of Defense,
The Pentagon, Washington, D.C.

DEAR MR. SECRETARY: The House Government Information Subcommittee has been informed that a Department of Defense memorandum dated June 3, 1958 and signed by Assistant Secretary of Defense (Public Affairs) Murray Snyder imposes restrictions on information about the use of monkeys in scientific research projects. The memorandum bears the military security classification "Confidential."

Executive Order 10501 states that the classification "Confidential" is authorized only for defense information or material the unauthorized disclosure of which could be prejudicial to the defense interests of the Nation.

In December 1958 the Dayton Daily News was refused information about the use of monkeys in scientific research projects at the Wright Air Development Center. Shortly thereafter Mr. Roy Johnson, Director of the Advanced Research Projects Agency admitted during questioning at a press conference that "primates" were being prepared for use in satellite research projects.

The House Government Information Subcommittee would appreciate a full explanation of the apparent on-again-off-again secrecy about the use of monkeys in research projects. The Subcommittee will appreciate a specific explanation of how the disclosure of such information could prejudice "the defense interests of the Nation."

Sincerely,

JOHN E. MOSS,
Chairman.

To that letter, the General Counsel of the Department of Defense replied on April 10. A copy of that letter follows:

GENERAL COUNSEL OF THE
DEPARTMENT OF DEFENSE,
Washington, D.C., April 10, 1959.

HON. JOHN E. MOSS,
Chairman, Special Government Information
Subcommittee, Committee on Govern-
ment Operations, House of Representa-
tives.

DEAR MR. CHAIRMAN: I write this letter at the direction of the Secretary of Defense to reply to your letter of March 30, 1959, which related to the handling of information on use of animals in space experiments. Your letter cited a classified memorandum signed by the Assistant Secretary of Defense for Public Affairs, and, in effect, demanded an explanation of how any information concerning the use of animals in experiments could come under the provisions of the President's Executive Order 10501, which requires protection of information the publication of which "could be prejudicial to the defense interests of the Nation."

We have noted the news articles of last Saturday (April 4), through which, contemporaneously with sending your letter to the Secretary of Defense, your staff made public both the substance of your inquiry and your committee's indicated prejudgment that care to avoid offending religious or other sensibilities of persons at home and abroad, concerning Government experimentation with animals, was not a Government responsibility, much less a matter which could involve defense interests.

It is regretted that you did not follow the customary courteous course of awaiting a reply to your letter to the Secretary, particularly since you knew that classified information was involved. It is our belief that your committee's actions in this matter not only have served to encourage disrespect for the security system, but that the only real beneficiaries can be the Communist propagandists who want to stir up trouble between us and other nations.

The memorandum of the Assistant Secretary of Defense for Public Affairs about which you asked transmitted classified information which had been received from another Government agency and, accordingly, was appropriately classified under Executive Order 10501. The originating agency advises us that the basic correspondence must remain classified. It can therefore be made available to you personally only upon assurance that the security classification will be honored. While I am thus not at liberty here to provide you with the classified attachments, I can nevertheless now give you the complete material which was contained in the Assistant Secretary's memorandum. That memorandum was classified only because of the classified attachments, and consisted only of the following two paragraphs:

"It is believed that attached exchange of correspondence concerning the need for care in this matter is self-explanatory.

"It is requested that you alert your staffs and other personnel concerned to the need for careful handling of this subject in speeches, articles, pictures and other material originating within your Military Service, intended for publication."

It will be noted that Assistant Secretary Snyder's memorandum called attention to the "need for care" to be taken in connection with the subject generally but did not, in any way, direct suppression of information, as you implied in your letter.

From your letter and the additional information relating to your committee appearing in the newspapers, it appears reasonably clear that information concerning classified matters has been disclosed by an employee of this Department, without authority. Accordingly, it is requested that you furnish to the Department of Defense all pertinent facts concerning the acquisition of information on this matter by your-

self and your committee staff, including the name of Department employee or other source; the date of disclosure; to whom disclosure was made; the manner of disclosure—whether oral or in writing—and any other relevant facts. I am sure that as a Member of Congress you will assist in fulfilling our official responsibility for upholding the laws concerning national security. Obviously, if unauthorized disclosures are to go unnoticed, we will soon have a Government of men and not of laws. This would indeed, be the road to anarchy.

In view of the security aspects involved and the direct foreign relations implications, we are furnishing copies of this letter to the chairmen and senior Minority members of the Armed Services Committees and the Foreign Relations and Foreign Affairs Committees of both Houses of the Congress.

Sincerely yours,

ROBERT DECHERT.

Attached thereto was the following:
[From the Washington Post and Times Herald, Apr. 4, 1959]

SPACE MONKEYS TAGGED SECRET—MOSS ASKS WHY

The military was reported yesterday to be stamping as "confidential" all information about space monkeys. Representative John E. Moss, Democrat-California, is asking: "Why?"

As chairman of the House Government Information Subcommittee, Moss wrote Secretary of Defense Neil McElroy:

"The subcommittee will appreciate a specific explanation of how the disclosure of such information could prejudice the defense interests of the Nation."

A Defense Department spokesman declined comment.

People connected with the Moss group suspect that all the hush-hush is to avoid offending those in India who worship monkeys or those at home who complain of inhumane treatment of animals.

According to Moss, Assistant Secretary of Defense Murray Snyder put out a secret order, No. 10501, last June 3, stating that research business on monkeys is for defense information only.

The following December, Moss said the Dayton Daily News tried unsuccessfully to obtain information about space monkeys under training at Wright Air Development Center.

Shortly after that, Moss said, Roy Johnson, director of the Advanced Research Projects Agency, admitted that primates were being trained for use in satellite projects.

Similar copies went to the chairman and the ranking minority member of the Senate Foreign Relations Committee, the House Foreign Affairs Committee, the Senate Armed Services Committee and the House Armed Services Committee.

The Department apparently considers the matter of some importance.

It does seem that an end should be made to the controversy which exists between the committees of the Congress and the executive departments as to the information which the congressional committees are entitled to receive from the executive departments.

We are wasting money, sometimes creating ill feeling, holding what apparently are endless investigations and hearings, and all of which take the time, not only of the Members of Congress but, of far more importance, of the chief officers in the executive departments.

Sometimes I wonder how it is possible, in view of the demands for information which congressional committees are con-

tinually making upon them, for those in the executive departments to perform their duties.

In the press statement to which reference has been made this statement is found:

People connected with the Moss group suspect that all the hush-hush is to avoid offending those in India who worship monkeys or those at home who complain of inhumane treatment of animals.

One of the principal objectives of our foreign policy is to obtain and retain the good will of other nations, the people of other nations.

The House Government Information Subcommittee has three members: Mr. Moss, who is chairman, Congressman FASCELL from Florida, and the Representative from the Fourth Congressional District of Michigan. So far as I know, it has four professional staff members: Mr. Samuel J. Archibald, former newspaper reporter; Mr. John J. Mitchell, counsel; Mr. Paul Southwick, formerly with UPI; Mr. Harry S. Weidberg; and two stenographers, Mrs. Helen Beasley and Mrs. Catherine Hartke.

Inasmuch as Chairman Moss is one of the outstanding champions of the people's right to know, will he kindly give us the names of those who "connected with the Moss group suspect that all the hush-hush is to avoid offending those in India who worship monkeys?" Also advise as to who in India has been offended or who has suggested that he would be offended by the use of monkeys.

If it is necessary or advisable to use monkeys in connection with these or other experiments, was it one of the purposes of this press release to prevent further use of those animals?

When and from what source did the Moss subcommittee get the authority to participate in religious discussion, to inject the religious issue?

Mr. WOLF. Mr. Chairman, I move to strike out the last two words.

(Mr. WOLF asked and was given permission to revise and extend his remarks.)

Mr. WOLF. Mr. Chairman, I rise in support of the Humphrey-Price REA bill as amended by the committee. This bill has the same intent as the bill which I introduced.

My district has many REA co-ops with thousands of electric consumers on the farms and small towns. From these obviously worried consumers are coming a large number of letters requesting my support of this legislation, which is indicative of the feeling that a change is needed. A further dramatic demonstration was given to me on a very icy night in December 1958 when 58 farmer-directors representing 5 REA co-ops, some of whom traveled up to 120 miles to meet with me to urge my support of this legislation. Men who will travel over such hazardous road conditions obviously feel a very strong dedication, and for these reasons I take the floor today to support the Humphrey-Price Bill. To prove that this is not a partisan position I am taking, I would like to state that the majority of these 58 farmer-directors are active Republican workers.

These farmer-directors were not willing to state specifically why the change is needed because they knew that any moneys which may come to them in the future would have to come from this organization and they did not want to jeopardize any loan request needed in the future.

It seems that the gentleman from Ohio, representing the minority report, builds his whole case around the question "Can you prove that the Secretary of Agriculture has interfered in the granting of a loan?"

It is unlikely that anyone except a person sitting in the inner circle at the Department of Agriculture would be in a position to answer this question. It is impossible to know what shuffling in criteria takes place as loans are ruled upon. Naturally, Secretary Benson would not give out this information. The applicants for loans to whom this happened would not say so, because it would jeopardize their chance for a loan in the future.

Further, whether or not the REA Administrator has recommended loans that have been refused by the Secretary of Agriculture is immaterial. The point is that the REA Administrator, an accountable official to Congress, should not be accountable to someone who has no standing except as a political appointee of the President.

We are attempting to do two things with the pending legislation. First, to restore the loan-making function to the REA Administrator without qualification; and second, to maintain in the Department of Agriculture for centralized administrative purposes the Rural Electrification Administration.

A bit of history is needed in order to make clear the change for which we are asking. When Mr. Benson testified about Reorganization Plan No. 2 before the Senate Committee on Government Operations, he stated, and it is a matter of public record, that if there were any major change in the administrative establishment or structure of REA he would tell the proper committees of this fact in advance.

Mr. Chairman, this procedure was not followed when the general reorganization of the Agriculture Department was made. Consequently, Congress was presented with an accomplished fact and there was nothing that Congress could do to voice its opposition except to follow the legislative form. We are all well aware of the fact that the REA has been in a privileged position in the Department of Agriculture. This was the wish of Congress. The proof of this is in the fact that the REA Administrator is appointed for 10 years. This is longer than the number of years a President may serve under the Constitution, and clearly longer than the time a Cabinet officer serves. Without question it is longer than the time most political appointees in executive departments serve, which clearly points up the wish of Congress to keep the REA Administrator free from political pressures of either party.

Under the present situation, the REA is headed by an Administrator, appointed by the President and agreed to

by the Senate, who is under the thumb of the Secretary of Agriculture.

It is obvious that under the present arrangement the REA loses its identity and becomes just another one of many agencies within the Department of Agriculture. When the responsibilities for REA policy are diffused throughout a number of offices in the Department, the historically intended purpose of keeping the REA as an important segment of our farm policy is defeated.

You may ask why I do not support the bill intended to give the REA status as an independent agency. I have two reasons for not supporting such a bill or amendment.

The first is that the REA is concerned for the most part with problems involving rural America. It has served best when it had preferred status and was still an important arm in the Agriculture Department. I do not think that such close cooperation could exist if it operated as a separate agency.

My second reason is an economic and administrative one. When the first Hoover Commission was created in 1947, there were 65 independent agencies, many of them working at cross-purposes. The Hoover Commission recommended the elimination of a great many of them. The number has now been reduced from 65 to 40. This is not the time to start in the opposite direction when we are so interested in avoiding added bureaucracy and waste in Government.

Mr. BROWN of Ohio. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, I simply want to read from the record for the benefit of the committee and for the benefit of the gentleman from Iowa [Mr. WOLF], on page 16 of the hearings, in which I asked the gentleman from Iowa, after he testified, this question.

Mr. BROWN. The only question I have is whether or not the gentleman—

That means Mr. WOLF, of course— knows of any case where the Secretary of Agriculture has turned down or rejected any loan recommended by the Administrator.

Mr. WOLF. How soon will you make the decision on this?

Chairman DAWSON. It won't be today.

Mr. WOLF. I will gather that information and submit it to the committee to be a part of my report.

Mr. BROWN. Very well. I would like to have it authenticated and documented. There has been no testimony on that so far.

Mr. WOLF. I will get it back to your subcommittee this afternoon.

Later on in the report there was a letter filed, addressed to Mr. DAWSON, chairman of the committee, by Mr. WOLF, in which he says:

My answer—

Referring to the answer to my question—

is that it is unlikely that anyone except a person sitting in the inner circle at the Department of Agriculture would be in a position to answer this question.

To wit, the question as to whether or not he personally knew or could document or could produce any evidence of any case where a loan had been rejected.

So, evidently the gentleman does not know of any such loan having been rejected or refused as the result of the review by the Secretary of Agriculture.

Mr. MORRIS of Oklahoma. Mr. Chairman, I move to strike out the last word.

(Mr. MORRIS of Oklahoma asked and was given permission to revise and extend his remarks.)

Mr. MORRIS of Oklahoma. Mr. Chairman, it seems to me that the only question we should ask ourselves is whether or not this is good and valid legislation. If it is we should pass it. I certainly think it is.

I don't know that it is but it may be true that the motive behind it, or a partial motive behind it, is because of a fear of what might happen under Secretary Benson. So far as I am personally concerned I understand that Secretary Benson is a very splendid gentleman; a good man, a Christian man. But his philosophies, in regard to a farm program of course, run counter to the philosophies of a great many people, and they run counter to my own philosophy in regard to operating the farm program; at least in many instances. But it does not make any difference, as I see it, whether it was motivated by the fact that some people may have thought that Secretary Benson would be unfriendly in this matter or not. The only question, I repeat, is whether or not it is good and valid legislation. And here is why I think it is. Some of these points have been made in the debate, but I want to emphasize just one or two in the few minutes that I have.

In the first place, the Secretary of Agriculture, regardless of who he is, has so many, many important duties to perform that he could not possibly perform duties in this particular REA field as expeditiously as they ought to be performed and as can the REA Administrator; because the Administrator becomes an expert in this field and he also has time to devote to it. What I am afraid of, perhaps more than the fact that the Secretary might turn down some good loans, is that there will be a slow-down on the making of loans. When these applications are filed, these various REA Co-ops need the money and they often need it badly and at once to put people to work and to carry on with their operations.

We all know that REA has not only been a blessing to rural America and has helped to light up rural America, but it has been a blessing to small business. It has been a blessing to the whole economy of our country.

I feel that the Administrator is the man who definitely ought to have the final say-so in regard to these loans.

I might call attention to the fact that we all know something about life, about politics. We all know about political pressures, and so forth. But the Administrator is appointed for and has a tenure in office of 10 years. To a large extent, maybe not entirely, but to a large extent he is removed from political pressures. And if he is the proper kind of man, and we assume that he is going to

be the proper kind of man, whether he is a Democrat or a Republican, he will have time to devote to the problem. He will be the type of person to whom you can go and talk and get a speedy hearing in regard to these important matters. And he will be able to make a final decision expeditiously.

My final thought is simply this. These are not grants; these are loans. And I think that everyone will agree that the repayment performance on these loans has been unusually good.

So, Mr. Chairman, I rise in support of this bill as amended by the committee.

Mr. PRICE. Mr. Chairman, I am hopeful the House this afternoon will give its approval to this bill.

The purpose of H.R. 1321 is to return to the Administrator of the Rural Electrification Administration all of the independent authority with respect to the approval or denial of loans authorized to be made under provisions of the REA Act of 1936, he possessed prior to the acceptance of the aforementioned reorganization plans.

I feel the gentleman from Florida [Mr. FASCELL], has sound arguments as to the wisdom of this course of action. I feel that this is a needed move to preserve the vitality and purpose of this useful agency, which has brought light and power to rural America.

It was as an independent agency that REA was created back in 1936.

In 1939, the agency was placed in the Department of Agriculture, on the supposition that clearer lines of authority would be established and efficiency improved. It has since become obvious that the lack of independence could eventually destroy REA should it become subservient to an administration which would not have created it and was lacking in enthusiasm for it.

The fine accomplishments of REA cannot be consolidated by divided and contradictory administration.

To solidify REA gains I urge approval of H.R. 1321. It is necessary to establish in the Rural Electrification Administration, as a matter of law, the function vested in the agency by the 1936 act.

The measure is required further, to restore the prestige of the REA Administrator, who under present administrative rulings is stripped of authority Congress intended to rest in his hand.

The REA program has enjoyed phenomenal success. A serious threat to its continuance can be eliminated by approval of this bill, H.R. 1321.

Mr. HOEVEN. Mr. Chairman, I have carefully read both the majority and minority committee reports on this bill and have also given close attention to the debate. Judging from the information I have at hand, there seems to be no real justification for this legislation. If enacted into law, it would create an unworkable administrative anomaly. It is difficult for me to understand the real purpose in trying to have this bill enacted into law.

There are not many Members of the House who have supported the REA program longer or more earnestly than I have. My voting record in the House

in this regard speaks for itself. Furthermore, I yield to no one in the support of the REA program at the present time. If I thought for one moment that the REA loan program would be jeopardized by the failure to enact this legislation, it most certainly would have my support.

Under the terms of the bill, the Secretary of Agriculture would be responsible for the overall affairs of REA, but would have no authority concerning its main function; that is, taking action on loan applications. Such a division of authority and responsibility would be completely inconsistent with the administration of REA as an agency within and as a part of the Department of Agriculture.

A claim has been made that the Secretary has taken away the authority of the Administrator to approve loans. That certainly is untrue. They say this administration is destroying REA. That is absolutely false, as the record of achievement clearly indicates. During the hearings on March 6, 1959, before the Subcommittee on Executive and Legislative Reorganization of the House Committee on Government Operations, the REA Administrator, David A. Hamil, stated:

I am ready to answer for any aspect of the administration of the REA programs. I have administered them without interference from any quarter. I exercise full responsibility.

In not a single instance has Secretary Benson or Director Scott interfered in the discharge of my responsibilities as Administrator of REA. I make the loans.

Not one of my loan decisions has been motivated or colored by political considerations.

Not one good reason has been advanced to support the enactment of this legislation. Certainly we should not build up additional independent agencies in our Government. This does not make for good government. The Hoover Commission, in its several reports, recommended the elimination of many of these agencies. In a report to the 81st Congress relating to a study of the Department of Agriculture, the Hoover Commission said:

We have urged in our first report that the foundation of good departmental administration is that the Secretary shall have authority from the Congress to organize and control his organization, and that separate authorities to his subordinates be eliminated.

This recommendation was approved by Congress. Once the practice of exempting certain agencies and excepting particular functions has begun, the chance of achieving substantial improvements in the efficiency of the Government will speedily diminish. Passage of the bill now under consideration, in my judgment, therefore, would be a step in the wrong direction.

Mr. JOHNSON of Wisconsin. Mr. Chairman, under leave to extend my remarks, I wish to state my views in favor of passage of H.R. 1321, a bill to restore to the Administrator of REA all of the functions which were transferred from the Administrator to the Secretary of Agriculture by the Reorganization Plan No. 2 of 1953, giving him full authority

to approve or deny loan applications that are made under provisions of the REA Act of 1936 as amended.

The Ninth Congressional District which I represent is predominantly rural in character. As the representative of more than 300,000 people whose welfare is dependent upon agriculture directly or indirectly, I am vitally concerned with all legislative matters which affect their lives.

The rural electrification program is one of the Federally supported activities that has done most to improve the life of rural people in my district, in the whole of Wisconsin and in the entire country. I view with disfavor the perpetuation of any change that the REA program has undergone which poses a threat to its future.

I consider the application of Reorganization Plan No. 2 to REA as such a threat. In my opinion it is dangerous to vest in a politically minded Secretary of Agriculture the authority to approve or disapprove applications for REA loan funds.

In my considered judgment it is not the intent of Congress to have a well-paid and competent Administrator of the REA program sitting on the knee of the Secretary of Agriculture, taking his orders and mouthing his words like a well-disciplined Charles McCarthy.

People of my district are rapidly losing confidence in the infallibility of Secretary Benson in the broad field of agriculture. In the special field of rural electric affairs they have even less confidence in his judgment. They feel with considerable justification that the legislative proposals espoused by Secretary Benson to raise REA interest rates and to have REA loan applicants go into the private money market for funds clearly demonstrates his lack of understanding and appreciation of their problems.

Because I share the concerns and apprehensions of my constituents, and because I believe that the bill before the House will correct a threatening situation, I urge passage of H.R. 1321.

Mr. MACK of Illinois. Mr. Chairman, I wish to voice my enthusiastic support for H.R. 1321, a bill to modify Reorganization Plan No. 2 of 1939 and Reorganization Plan No. 2 of 1953 which was introduced by my good friend and colleague, the gentleman from Illinois [Mr. PRICE].

It is my understanding that this amendment would restore to the Administrator of the Rural Electrification Administration the authority to approve or disapprove loans. It would have the effect of restoring in the Rural Electrification Administration the functions vested in that agency by Congress in 1936. It would permit the Rural Electrification Administration to continue to function within the Department of Agriculture. But it would maintain its independence and integrity and the Secretary of Agriculture would not have the power to redistribute or transfer its functions to other agencies in the Department.

Mr. Chairman, the 27 electrical cooperatives in Illinois have fully endorsed this bill as being in the public interest and contributing to the efficient opera-

tion of their cooperatives. I have discussed this matter with them on many occasions and am convinced that individual members of these cooperatives strongly feel that this amendment should be approved.

The rural electrification program has been successful in bringing all the conveniences of our cities to the rural sections of our country. It has spurred our economic growth by creating a new market for our manufactured products. It has brought electric power into the most remote areas of this country. In less than 25 years this program has replaced darkness with light, and has made rural family life more pleasant. In my opinion, this has been one of the greatest programs enacted by Congress since the turn of the century.

Mr. Chairman, I strongly support this bill because I feel that the independence of this agency must be maintained. The Rural Electrification Administration should not be subjected to political influence and therefore, in my opinion, should not be subjected to the influence of the Secretary of Agriculture with regard to loans for various cooperatives. The REA should be administered by its own Administrator rather than by a Cabinet Secretary. We have had some outstanding men serve in this capacity. These men have been dedicated to this service and in most instances have ignored all political consideration when approving or disapproving loans. I feel that the Administrator should be given the authority for approval or disapproval of all loan applications.

Mr. Chairman, I hope that this bill is adopted because it will contribute to the efficiency of the Rural Electrification Administration.

Mrs. PFOST. Mr. Chairman, I am vitally interested in the passage of the bill before us today. As you know, it transfers back to the Administrator of the REA those functions which were transferred from him to the Secretary of Agriculture back in 1953. In January I introduced a similar bill.

In urging the House to pass this bill, I speak not only for the thousands of hard working rural people in my district in Idaho, but also for hundreds of thousands more throughout our great Nation.

Since the Congress adopted the Rural Electrification Act nearly a quarter of a century ago, the REA program has been a beacon of light and hope to the homes of rural America.

Today, however, there is a dark cloud on the horizon; a cloud that throws an ominous shadow over the shining non-political activities of REA. It is a threat to the very heart of this vitally important agency. I refer to the Reorganization Plan No. 2 of 1953 as it is now being applied to REA by the Secretary of Agriculture.

Recent statements by Secretary Benson show the basic difference between his thinking and the thinking behind the establishment of REA. For example, he has advocated raising interest rates on REA loans. He also has proposed private financing of REA's future loan requirements, a proposal that would

turn back the clock of progress and put the people once again at the mercy of ruthless, private monopolies.

Some of you may ask, how is this possible? How can a little private financing wreck REA? Well, Mr. Chairman, here is the answer.

As soon as REA opens the way to a better life for a farm or home, it creates additional demands for its services. More people want more refrigerators, more toasters, more washing machines, more TV sets and radios, and particularly for farmers, more milking equipment—just about everything that people need and are getting through REA facilities.

This means there must be larger capacity lines, more power insulators and generators, additional substations and all of the machinery and equipment that go into an electrical system.

To provide this equipment, the various REA systems, through borrowing, get the necessary funds. They must keep pace with the ever-increasing demands. Otherwise, they would be open to attack by other suppliers of power. And this is the crux of the whole matter: these private suppliers, through private financing, could gain control of an REA system even though that same system has done the pioneering work and made a sizable capital initial investment.

Let me remind you, Members of the House, that through the extension of light and power systems through REA, farmers have been able to throw away their kerosene lamps and have achieved the living comforts and standards to which they are so eminently entitled.

In my own State of Idaho, 97.1 percent of all farms had central station electric service last year. Yet only 30 percent of our farms had such facilities in the mid-1930's.

Since the rural electrification program has had such a great and beneficial effect upon the daily lives of the people, many of them think of it not as a remote Government agency with headquarters in Washington, but as their own creature. I know that is how the rural people in my district regard it. And they should, because so many of them have joined the electric cooperatives, served on their boards, and helped in so many other ways to make it the wonderful success that it is today.

Surely, a program that has given so many benefits to so many people in so short a time deserves to be kept free of politics. The Congress realized this when it set up the Agency. It established a 10-year term for the Administrator to insure his freedom from political pressures, and gave him the authority to judge loan applications solely on technical and legal grounds.

Now, the decision regarding REA loans—the only real purpose for the existence of REA—are no longer the sole responsibility of the Administrator. Nor are they free of the possible taint of political considerations. The Administrator must review new loan applications exceeding \$500,000 with the Secretary of Agriculture or one of the Secretary's subordinates, both of whom are political appointees whose philoso-

phies may and frequently do conflict sharply with the basic philosophy of REA.

Why this change? Does the Secretary of Agriculture have the professional and technical know-how to evaluate an electrification project? Of course not. The answer must be obvious to all of us: The Secretary of Agriculture wants to make sure that the loan applications conform to the philosophy of the administration. And we know that philosophy is definitely not for public power for the public interest, but rather private power for private, monopolistic interests.

Let us not weaken the system that the Congress has set up and which is working so well. Let us not hamstring a program that has lightened the burdens of our farm people and has literally lighted their lives. Let us rather work to strengthen REA and make it an everlasting monument to the wisdom of those who created it. Again, I urge the passage of H.R. 1321.

Mr. ELLIOTT. Mr. Chairman, I rise in support of H.R. 1321, which seeks to give the Administrator of REA the unequalled right and jurisdiction to approve or disapprove applications by rural electric cooperatives for REA loans. By the same token this bill would relieve the Secretary of Agriculture of all right to supervise, direct, or control the making of such loans.

I have always supported the REA program, and am happy to have had the privilege during my service in the Congress of voting for the largest appropriations that have ever been made for REA loans. In the year 1949 the Rural Electrification Administration loaned \$321,287,000 to the rural electric co-ops; in 1950, the amount loaned was \$286,658,000; in 1951, it was \$268,131,000; in 1952 it was \$227,574,000; in 1953, \$207,634,000. In no year, since 1953, appropriations for which were made by the 2d session of the 82d Congress, have loans made exceeded the amount of \$200, million, save and except in the year of 1958, when loans reached the total of \$205,332,000. *Res ipsa loquitur*.

The rural electric cooperatives in the 7th Congressional District of Alabama have made fine use of the loans that we have provided. The cooperatives serving our district have borrowed over \$8 million for building lines which now serve nearly 25,000 customers; another \$4.5 million has been loaned to telephone companies and cooperatives in the area.

Mr. Chairman, I know what it is to have been reared without the benefits of electricity; I know something of the burdens electricity has removed from the backs of farm women, and from the brawn of farm men. The spring as a milk cooler and the battling block as a clothes washer, are no more and I am glad.

REA has had a fairly liberal lending policy so far as these co-ops go and it has done a world of good. I don't want any Secretary of Agriculture to be placed in the position of being able to stifle or curb or circumscribe the good

work the co-ops are doing. Let us pass this bill and remove any temptation in that direction that he may have.

Mr. CARTER. Mr. Chairman, in deliberations on this floor last Wednesday concerning the Humphrey-Price bill—H.R. 1321—I was of the hope that this House would be successful in passing that bill in unaltered form, thereby restoring the REA as a semi-independent agency and returning to the office of the REA Administrator the efficacy that it had held prior to 1953.

The main reason I had hoped to have the REA taken out from under the Department of Agriculture was so that Ezra Taft Benson would be unable to continue showing REA loan funds as a subsidy to farmers, as he has been doing since the REA came under his control in 1953. Actually, as we are all aware, the REA loan fund program is self-sustaining and, in the long run, is a money-making venture for the taxpayers of America.

Since the House of Representatives as a body was not able to agree on this bill without amendment, I decided to go ahead and vote for the bill in its amended form. In this amended form, the Administrator of the REA will once again have control over the lending activities of the agency. This is actually somewhat of a "half a loaf" solution to the problem. But then, even if the bill had been passed without amendment, under the present administration we would have only been successful in taking the REA out from under the control of Ezra Taft Benson and placing it under the control of Eisenhower. In view of these facts, any benefit to the REA and to rural electric cooperatives all over the country might have been rather dubious.

Mr. FOUNTAIN. Mr. Chairman, there are many good and valid reasons why I favor the passage of H.R. 1321. The debate thus far clearly indicates grave doubt as to who has the final authority to make decisions in connection with REA loans, the Rural Electrification Administrator or his administrative boss, the Secretary of Agriculture. Personally, I have no objections to the administration of the Rural Electrification Administration program within the Department of Agriculture by the Administrator under the general administrative supervision of the Secretary of Agriculture. The fact that the Rural Electrification Administration is an agency of the Department of Agriculture, without anything further, in and of itself, already gives the Secretary of Agriculture tremendous indirect influence upon the actions of the Rural Electrification Administrator.

Nevertheless, serious question has arisen as to whether or not the Administrator of the Rural Electrification Administration, duly appointed by the President for a term of 10 years on the basis of his peculiar qualifications for the job, and confirmed by the Senate, exercises the power and assumes the responsibility vested in him by the Rural Electrification Act of 1936. The power of the Secretary of Agriculture to review

and influence loans, as some seem to think is now true, is one thing—while the power of the Secretary of Agriculture as the administrative head of a department, which includes along with the REA many other agencies, is another.

Personally, I think it is a good thing to have coordination between agency and department heads in the interest of efficiency and economy, in a matter of this kind affecting so many people. However, if the Administrator does not have the final authority to approve or disapprove loans, he is merely serving in a more or less perfunctory capacity and his position is not in keeping with an appointment by the President and confirmation by the Senate. I believe the Congress wants him to exercise his independent judgment. The present Administrator says he is doing that. If that is true, this bill will eliminate any question about his authority.

My experience as chairman of the Intergovernmental Relations Subcommittee of the House Committee on Government Operations, which includes jurisdiction over the Department of Agriculture for efficiency and economy purposes, has convinced me that the Secretary of Agriculture already has under his jurisdiction far more than he can possibly attend to. If he should make decisions in connection with loans to REA cooperatives, in my opinion, he would of necessity have to do so on the basis of a subordinate's recommendations. In effect, this would be placing the subordinate in a position of making decisions which are the responsibility of the Administrator. This bill in no way changes the status of personnel or of general supervision by the Secretary of Agriculture, but it does insure the continued operation of the REA as an integral and dynamic unit within the Department of Agriculture.

Most assuredly, all of us should be opposed to unnecessary and unwise loans by the Administrator. This legislation, insofar as I am concerned, is in no way designed to encourage him to make undeserving loans. If I thought it would have such a result, I would be opposed to it.

There is another more paramount reason why I favor the passage of H.R. 1321. It will to some extent do what was left undone by Congress in 1953 when, by default, it permitted the President's Reorganization Plan No. II to become law without permitting debate on its merits. I was opposed to Reorganization Plan No. II. I introduced a disapproving resolution known as H.R. 236. Unfortunately, although requested several times by me to do so, the then chairman of the Committee on Government Operations, did not call the committee together for action on the plan. I, therefore, did the only thing I could do as the introducer of a disapproving resolution. I exercised under the rules of the House the personal privilege of making a motion on the floor of the House to discharge the Committee on Government Operations from further consideration of H.R. 236. Only 30 minutes debate was permitted under the rule.

The purpose of that 30 minutes was to enable Members to ask the House to debate Reorganization Plan No. 2 on its merits. This was, of course, during the 83d Congress which was under the control of a Republican administration, just as was the House Committee on Government Operations. Almost to a man, the Republicans, aided by some few Democrats, refused to permit debate as to the merits of Reorganization Plan No. 2. While the plan was, to some extent, discussed by extended remarks in the RECORD, its merits were not considered.

However, 128 Members of the House expressed their fears by supporting the discharge resolution and asking for general debate on the plan. The overwhelming majority of Republicans opposed debate, thus approving the plan.

Consequently, under the reorganization act, the President's so-called plan No. 2 automatically became law. It was no plan at all. It was a complete abdication by the House of congressional authority over the Department of Agriculture. Without any knowledge of what the Secretary of Agriculture had in mind, the House, by refusing debate on the plan's merits, permitted, with certain exceptions, the transfer to the Secretary of Agriculture of all functions not vested in him of all other officers and of all agencies and employees of the Department of Agriculture. The Rural Electrification Administration was included in the transfer.

I never like to take the position of one who says, "I told you so." And yet, I cannot resist the temptation to say to you today that I argued upon the floor of the House in 1953 that Reorganization Plan No. 2 clearly violated the spirit and intent of the reorganization act. I said then there was nothing in the plan to tell us "what the Secretary of Agriculture would do with respect to the Bureau of Agricultural Economy, the Foreign Service, the Soil Conservation Service, the Farmers Home Administration, and the Rural Electrification Administration." I then asked these questions: "Is there one of you who has the slightest idea as to what will be done by the Secretary of Agriculture, or any other Secretary, with the various functions of the Department under this plan? Which of the functions will be magnified? Who among the officers or which of the agencies will be given greater power? Which function or functions will be subordinated or stifled or even possibly eliminated?" Many of us raised serious questions as to the advisability of giving the Secretary of Agriculture such unbridled and unlimited blanket authority.

I make these observations because today we are debating the advisability of modifying Reorganization Plan No. 2 of 1939 and Reorganization Plan No. 2 of 1953. Had the House disapproved Reorganization Plan No. 2, passage of this bill would not be necessary. The modification proposed in this bill, while it may not be the best way to amend reorganization plans, will at least return to the Congress in the form of specific legislation a minimum of the authority vested in the Secretary by its default

approval of the President's Reorganization Plan No. 2, a plan which gave the Secretary of Agriculture more authority over the Department of Agriculture and its various agencies and branches than even the President himself has.

It is true that in 1939 the functions of the Rural Electrification Administration were transferred to the Department of Agriculture. However, experience showed that the Rural Electrification Administrator exercised the power and the authority to approve or disapprove loans. Under the authority of Reorganization Plan No. 2, there seems to have been an important modification of that practice. Such delegation of congressional authority—the power to legislate—to administrative heads is a dangerous trend. It is time for the Congress to stop abdicating its responsibility under the Constitution. In fact, the time has long since passed when the Congress should return to itself many of the powers and responsibilities which it has previously unwisely delegated to administrative agencies.

The passage of H.R. 1321 will in some small way do just that insofar as the Department of Agriculture is concerned. At the same time, it will establish clear responsibility and accountability on the part of the Administrator of the Rural Electrification Administration.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. BOLLING, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 1321) to amend Reorganization Plan No. 2 of 1943, pursuant to House Resolution 236, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. FASCELL. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 254, nays 131, answered "present" 1, not voting 48, as follows:

[Roll No. 28]

YEAS—254

Abbitt	Ashley	Bennett, Mich.
Abernethy	Ashmore	Berry
Addonizio	Aspinall	Blatnik
Albert	Avery	Blitch
Alexander	Bailey	Boggs
Alford	Barrett	Boland
Anderson,	Bass, Tenn.	Bolling
Mont.	Beckworth	Bonner
Andrews	Belcher	Boykin
Anfuso	Bennett, Fla.	Boyle

Brademas
Bray
Breeding
Brewster
Brook
Brooks, La.
Brooks, Tex.
Brown, Ga.
Brown, Mo.
Burdick
Burke, Ky.
Burke, Mass.
Burleson
Byrne, Pa.
Cannon
Carter
Casey
Celler
Chelf
Coad
Coffin
Cohelan
Colmer
Cook
Cooley
Daniels
Dawson
Delaney
Denton
Diggs
Dingell
Dollinger
Dowdy
Downing
Doyle
Dulski
Durham
Edmondson
Elliott
Everett
Evins
Fallon
Farbstein
Fascell
Fisher
Flood
Flynn
Flynt
Fogarty
Forand
Forrester
Fountain
Frazier
Friedel
Gallagher
Garmatz
Gary
Gathings
George
Granahan
Grant
Gray
Green, Oreg.
Green, Pa.
Griffiths
Gross
Hagen
Haley
Hall
Hardy
Hargis
Harmon
Harris
Harrison
Hays
Healey

Hébert
Hemphill
Herlong
Hogan
Holifield
Holtzman
Horan
Hull
Ikard
Irwin
Jarman
Jennings
Jensen
Johnson, Calif.
Johnson, Colo.
Johnson, Md.
Johnson, Wis.
Jones, Ala.
Jones, Mo.
Karsten
Karth
Kasem
Kastenmeier
Kee
Kelly
Kilday
Kilgore
Kling, Calif.
Klrwan
Kitchin
Kluczynski
Knox
Kowalski
Landrum
Lane
Langen
Lankford
Lennon
Leslinski
Levering
Libonati
Loser
McCormack
McDowell
McFall
McGinley
McGovern
Machrowicz
Mack, Ill.
Madden
Magnuson
Marshall
Matthews
May
Metcalf
Meyer
Miller
Clement W.
Mills
Mitchell
Moeller
Monagan
Montoya
Moorhead
Morgan
Morris, N. Mex.
Morris, Okla.
Moss
Murphy
Murray
Natcher
Nix
Norrell
O'Brien, Ill.
O'Brien, N.Y.

O'Hara, Ill.
O'Hara, Mich.
O'Konski
O'Neill
Oliver
Passman
Patman
Perkins
Pfof
Pilcher
Poage
Porter
Preston
Price
Prokop
Pucinski
Quigley
Rabaut
Rains
Randall
Rees, Kans.
Reuss
Rhodes, Pa.
Riley
Rivers, Alaska
Rivers, S.C.
Roberts
Rodino
Rogers, Colo.
Rogers, Fla.
Rogers, Tex.
Roosevelt
Rutherford
Saund
Schwengel
Scott
Selden
Shelley
Sheppard
Shibley
Sikes
Simpson, Ill.
Sisk
Slack
Smith, Iowa
Smith, Miss.
Smith, Va.
Spence
Staggers
Steed
Stratton
Sullivan
Thomas
Thompson, La.
Thompson, N.J.
Thompson, Tex.
Thornberry
Toll
Trimble
Tuck
Ullman
Vanik
Vinson
Wampler
Watts
Weaver
Wier
Willis
Wolf
Wright
Yates
Young
Zablocki
Zelenko

Adair
Alger
Allen
Arends
Auchincloss
Ayres
Baker
Baldwin
Barr
Barry
Bass, N.H.
Bates
Baumhart
Becker
Bentley
Betts
Bolton
Bosch
Bow
Broomfield
Brown, Ohio
Broyhill
Becker
Budge
Bush
Byrnes, Wis.
Cahill
Canfield

Cederberg
Chamberlain
Chenoweth
Chiperfield
Church
Clark
Collier
Conte
Corbett
Cramer
Cunningham
Curtin
Curtis, Mass.
Curtis, Mo.
Dague
Derounian
Derwinski
Devine
Dixon
Dooley
Dorn, N.Y.
Dorn, S.C.
Dwyer
Fenton
Fino
Ford
Frelinghuysen

Fulton
Gavin
Glenn
Griffin
Gubser
Halleck
Halpern
Henderson
Hiestand
Hoeven
Hoffman, Ill.
Hoffman, Mich.
Holt
Hosmer
Johansen
Jonas
Judd
Kearns
Keith
Kilburn
King, Utah
Lafore
Laird
Latta
Lindsay
Lipscomb
McCulloch

McDonough
McIntire
McSween
Mack, Wash.
Mailliard
Martin
Mason
Meader
Michel
Miller, N.Y.
Milliken
Minshall
Moore
Mumma
Nelsen
Osmers
Ostertag

Pelly
Pillion
Pirnie
Poff
Quie
Ray
Reece, Tenn.
Rhodes, Ariz.
Riehlman
Robison
Rogers, Mass.
Saylor
Schenck
Short
Siler
Simpson, Pa.
Smith, Calif.

Smith, Kans.
Springer
Taber
Taylor
Teague, Calif.
Thomson, Wyo.
Utt
Van Zandt
Walnwright
Wallhauser
Wels
Westland
Wharton
Widnall
Withrow
Younger

ANSWERED "PRESENT"—1
Jackson

NOT VOTING—48
Andersen, Minn.
Barden
Baring
Bowles
Buckley
Carnahan
Daddario
Davis, Ga.
Davis, Tenn.
Dent
Donohue
Felghan
Foley
Glaimo
Hess
Holland
Huddleston
Keogh
McMillan
Macdonald
Mahon
Marrow
Miller, George P.
Morrison
Moulder
Multer
Norblad
Philbin
Polk
Powell
Rooney
Rostenkowski
Roush
St. George
Santangelo
Scherer
Stubblefield
Teague, Tex.
Teller
Tollefson
Udall
Van Pelt
Walter
Whitener
Whitten
Williams
Wilson
Winstead

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Buckley for, with Mr. Hess against.

Mr. Daddario for, with Mr. Scherer against.

Mr. Keogh for, with Mr. Van Pelt against.

Mr. Gialmo for, with Mr. Marrow against.

Mr. Moulder for, with Mr. Jackson against.

Mr. Waiter for, with Mr. Wilson against.

Mr. Multer for, with Mrs. St. George against.

Until further notice:

Mr. Davis of Georgia with Mr. Andersen of Minnesota.

Mr. Mahon with Mr. Tollefson.

Mr. Santangelo with Mr. Norblad.

Mr. JACKSON. Mr. Speaker, on the last rollcall I have a live pair with the gentleman from Missouri [Mr. MOULDER]. If he were present he would have voted "yea." I voted "nay." I withdraw my vote and vote "present."

The result of the vote was announced as above recorded.

GENERAL LEAVE TO EXTEND
REMARKS

Mr. FASCELL. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks in the RECORD on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

MODIFYING REORGANIZATION
PLAN NO. 2 OF 1939 AND REOR-
GANIZATION PLAN NO. 2 OF 1953

Mr. FASCELL. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 144) to modify Reorganization Plan No. 2 of 1939 and Reorganization Plan No. 2 of 1953.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the functions and activities of the Rural Electrification Administration and the Administrator of the Rural Electrification Administration which were transferred to the Department of Agriculture and to the Secretary of Agriculture by Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953 are hereby transferred to the Administrator of the Rural Electrification Administration, and shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture; except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture.

The bill was ordered to be read a third time, was read the third time, and passed.

A similar House bill (H.R. 1321) was laid on the table.

A motion to reconsider was laid on the table.

PRIVILEGE OF THE HOUSE

Mr. HARRIS. Mr. Speaker, I rise to a question of the privilege of the House.

The SPEAKER. The gentleman will state it.

Mr. HARRIS. Mr. Speaker, I have been subpoenaed to appear before the United States District Court for the District of Columbia to testify on April 15, 1959, at 10 p.m. in the case of United States of America against Bernard Goldfine. Under the precedents of the House, I am unable to comply with this subpoena without the consent of the House, the privileges of the House being involved. I, therefore, submit the matter for the consideration of this body.

Mr. Speaker, I send to the desk the subpoena.

The SPEAKER. The Clerk will read the subpoena.

The Clerk read as follows:

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA—UNITED STATES OF AMERICA v. BERNARD GOLDFINE, DEFENDANT—No. 1158-58

To Congressman OREN HARRIS, Room 1503, New House Office Building, Washington, D.C.:

You are hereby commanded to appear in the United States District Court for the District of Columbia at 3d and Constitution Avenue NW., fourth floor, courtroom 8, in the city of Washington, on the 15th day of April 1959, at 10 o'clock p.m. to testify in the above-entitled case.

This subpoena is issued on application of the defendant.

HARRY M. HULL, Clerk.
By IRENE B. BURROUGHS, Deputy Clerk.

APRIL 8, 1959.
EDWARD BENNETT WILLIAMS, Attorney for Defendant.

The SPEAKER. The letter and subpoena will be printed in the Journal.

UNITED STATES OF AMERICA v. RICHARD A. MACK AND THURMAN A. WHITESIDE

The SPEAKER laid before the House the following communication:

APRIL 15, 1959.

The Honorable the SPEAKER,
House of Representatives.

SIR: From the U.S. District Court for the District of Columbia, I have received a subpoena duces tecum, directed to me as Clerk of the House of Representatives, to appear before said court as a witness in the case of the *United States v. Richard A. Mack, Thurman A. Whiteside* (Criminal No. 856-58), and to bring with me certain and sundry papers therein described in the files of the House of Representatives.

The rules and practice of the House of Representatives indicates that the Clerk may not, either voluntarily or in obedience to a subpoena duces tecum, produce such papers without the consent of the House being first obtained. It is further indicated that he may not supply copies of certain of the documents and papers requested without such consent.

The subpoena in question is herewith, and the matter is presented for such action as the House in its wisdom may see fit to take.

Respectfully yours,

RALPH R. ROBERTS,

Clerk, U.S. House of Representatives.

The SPEAKER. The Clerk will read the subpoena.

The Clerk read as follows:

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA—UNITED STATES OF AMERICA v. RICHARD A. MACK, THURMAN A. WHITESIDE—CRIMINAL NO. 856-58

To Honorable RALPH ROBERTS,
Clerk, House of Representatives,
House Office Building, Washington, D.C.:

You are hereby commanded to appear in the U.S. District Court for the District of Columbia at 3d and Constitution Avenue NW., 4th floor, courtroom 8, in the city of Washington, D.C. on the 17th day of April 1959 at 9:30 o'clock a.m. to testify in the case of *United States v. Richard A. Mack*, and bring with you the original letter of the Honorable George Smathers to the Honorable Oren Harris, dated March 5, 1958 (with copy of the letter from Honorable George Smathers to Mr. L. B. Wilson, dated February 16, 1954, which was enclosed therewith at the time of its transmission to the subcommittee); the original letter of the Honorable Warren G. Magnuson to the Honorable Oren Harris, dated March 5, 1958; the original letter of the Honorable Andrew F. Shoepel to the Honorable Oren Harris, dated March 5, 1958; the original letters of the Honorable Estes Kefauver to the Honorable Oren Harris, dated March 10, 1958, and February 26, 1958; the original letter of the Honorable Spessard Holland to the Honorable Oren Harris, all of which letters are located in the files of the Special Subcommittee on Legislative Oversight of the Committee on Interstate and Foreign Commerce; the original of the photograph of Mrs. George T. Baker and Mrs. Gordon Moore on file with the subcommittee; the copy of the partial transcript of the Minifon recording of the interview of Honorable Richard A. Mack by Paul Berger and Herbert Wachtell of February 17, 1958 (the original of which was given to Agent Boardman of the Federal Bureau of Investigation on September 15, 1958) on file with the subcommittee; the receipt for the original transcript of the Minifon recording of the Mack-Wachtell-Berger interview of February 17, 1958, bearing the signa-

ture of Agent Boardman of the Federal Bureau of Investigation and the date of September 15, 1958; the return and supplemental return of Thurman A. Whiteside to the subpoena of the Special Committee on Legislative Oversight of January and February 1958, which documents are on file with the subcommittee; letter from A. Frank Katzentine to Paul Porter, Esq., dated February 24, 1956 (in channel 10 file); January 9, 1956, memo from A. Frank Katzentine file (in channel 10 file); letter from A. Frank Katzentine to Paul Porter, Esq., cancelling all horse race broadcasts, dated December 2, 1955 (in channel 10 file).

2. To produce the documents set forth in the attached subpoena duces tecum, all of which documents are relevant to the issues in counts 1 and 3 of the indictment.

This subpoena is issued upon application of the defendant Richard A. Mack.

HARRY M. HULL,

Clerk.

By MABEL R. HOUSTON,

Deputy Clerk.

April 13, 1959, Nicholas J. Chase, attorney for Richard A. Mack.

Mr. ALBERT. Mr. Speaker, I offer a privileged resolution (H. Res. 244) and ask for its immediate consideration.

The Clerk read the resolution as follows:

Whereas in the case of United States against Richard A. Mack, Thurman A. Whiteside (Criminal Case No. 856-58), pending in the United States District Court for the District of Columbia, a subpoena duces tecum was issued by the said court and addressed to Ralph R. Roberts, Clerk of the House of Representatives, directing him to appear as a witness before said court at 9:30 ante-meridian on the 17th day of April 1959, and to bring with him certain and sundry papers in the possession and under the control of the House of Representatives: Therefore be it

Resolved, That by the privileges of this House no evidence of a documentary character under the control and in the possession of the House of Representatives can, by the mandate of process of the ordinary courts of justice, be taken from such control or possession but by its permission; be it further.

Resolved, That when it appears by the order of the court or of the judge thereof or of any legal officer charged with the administration of the orders of such court or judge, that documentary evidence in the possession and under the control of the House is needful for use in any court of justice, or before any judge or such legal officer, for the promotion of justice, this House will take such action thereon as will promote the ends of justice consistently with the privileges and rights of this House; be it further

Resolved, That Ralph R. Roberts, Clerk of the House, be authorized to appear at the place and before the court named in the subpoena duces tecum before-mentioned, but shall not take with him any papers or documents on file in his office or under his control or in possession of the House of Representatives; be it further

Resolved, That when said court determines upon the materiality and the relevancy of the papers and documents called for in the subpoena duces tecum, then the said court, through any of its officers or agents, have full permission to attend with all proper parties to the proceeding and then always at any place under the orders and control of this House and take copies of any documents or papers and the Clerk is authorized to supply certified copies of such documents and papers in possession or control of said Clerk that the court has found to be material and relevant, except minutes and transcripts of executive ses-

sions, and any evidence of witnesses in respect thereto which the court or other proper officer thereof shall desire, so as, however, the possession of said documents and papers by the said Clerk shall not be disturbed, or the same shall not be removed from their place of file or custody under said Clerk; and be it further

Resolved, That a copy of these resolutions be transmitted to the said court as a respectful answer to the subpoena aforementioned.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

CONSTRUCTION AT MILITARY INSTALLATIONS

Mr. THORNBERRY, from the Committee on Rules, reported the following privileged resolution (H. Res. 245, Rept. No. 272), which was referred to the House Calendar and ordered to be printed:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 5674) to authorize certain construction at military installations, and for other purposes. After general debate, which shall be confined to the bill, and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Armed Services, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

CORRECTION OF ROLLCALLS

Mrs. GRANAHAH. Mr. Speaker, on rollcalls No. 25 and No. 26 of yesterday, I am recorded as being absent. I was present and answered to my name, and ask unanimous consent that the Record and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentlewoman from Pennsylvania?

There was no objection.

PARLIAMENTARY CONFERENCES WITH CANADA

Mr. COLMER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 239 and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the joint resolution (H.J. Res. 254) to authorize participation by the United States in parliamentary conferences with Canada. After general debate, which shall be confined to the joint resolution, and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Foreign Affairs, the joint resolution shall be read for amendment

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

Issued April 28, 1959
For actions of April 27, 1959
86th-1st, No. 65

CONTENTS

Animal disease.....	17
Appropriations.....	10
Budget.....	3,14,21
Consumers.....	28
Electrification.....	1
Expenditures.....	21
Farm program....	2,18,19,26
Food allotment.....	29
Food for peace.....	25
Food processing.....	29
Foreign aid.....	12,23
Foreign trade.....	7
Forestry.....	9,13,20,27
Grass seeds.....	5
Imports.....	15,17
Inflation.....	14
Lands.....	22,27,32
Marketing.....	29
Property.....	31
REA loans.....	1
Reclamation.....	16
Reports.....	11,13
Research.....	30
Sheep.....	17
Textiles.....	8,15
Transportation....	6,11,24
Water resources.....	4,11

HIGHLIGHTS: Senate received President's veto message on REA loan approval bill. Sens. Russell and Proxmire criticized Secretary's farm policies. Reps. Halleck, May and Gavin commended Secretary's proposed national forest program. Rep. Wolf and 29 other Reps. introduced and discussed food-for-peace bills.

SENATE

1. ELECTRIFICATION. Received from the President his veto message on S. 144, to give the REA Administrator additional authority over the approval of loans (S. Doc. 25). Sens. Humphrey, Mansfield, Douglas, Gruening, and Young, O., urged that the President's veto be overridden. Sen. Aiken supported the President's action. pp. 6120-2
2. FARM PROGRAM. Sen. Russell criticized a Farm Journal magazine article reporting "that 55 percent of its readers are opposed to Government price supports and are in favor of removing Government entirely from the farm price field," and the Secretary for citing this poll in a speech in Dallas, Tex., "as proof that the Nation's farmers are in favor of his program of lowering support prices or eliminating them altogether," and inserted the results of a poll taken by the Commissioner of Agriculture of Ga. indicating that "62 percent of the farmers

of our State are in favor of continued Government supports on the prices of farm commodities." p. 6078

Sen. Russell criticized a Time Magazine article on the farm situation as "a new high -- or perhaps it was a new low -- in unfair and slanted attacks on the Nation's farmers," and inserted a newspaper editorial critical of the article. pp. 6978-9

Sen. Proxmire criticized the Secretary's farm policies, stating that during the Feb. 17 hearing before the S. Agriculture and Forestry Committee "I challenged him, in a series of detailed questions, to show that his solution of the farm problem, namely, to knock out controls and to shove down price supports, could bring anything but disaster to our farmers," and inserted the colloquy between himself and the Secretary at the hearings. pp. 6066-9

3. BUDGET. Sen. Bush inserted and commended a newspaper article, "Economy Holds Keys to Balanced Budget." pp. 6071-2

4. WATER RESOURCES. The "Daily Digest" states that the S. Select Committee on Water Resources "held an executive organizational meeting and elected Senators Kerr and Kuchel as its chairman and vice chairman, respectively. The committee recommended that the Committee on Interior and Insular Affairs consider a resolution providing an increase in membership of the select committee from 12 to 16 members, in order to give representation to areas not represented by previous assignment." p. D286

The Judiciary Committee reported without amendment S. 548, to grant the consent of Congress to a Great Lakes Basin Compact (S. Rept. 231). p. 6055

5. GRASS SEEDS. Sen. Morse inserted an Ore. Legislature resolution and a letter from the secretary of the Union County Ore. Seed Growers Assoc. urging a Tariff Commission investigation to establish an annual quota on Fine Fescue grass seed imports into this country. pp. 6073-4

6. TRANSPORTATION. Sen. Morse inserted an Ore. Legislature resolution urging aid to railroads to increase the supply of boxcars. pp. 6074-5

7. FOREIGN TRADE. Sen. Butler inserted an address by the president of the American Merchant Marine Institute, "Sea Transport and World Trade," citing the importance of the merchant marine in foreign trade. p. 6125

8. TEXTILES. Sen. Clark inserted a Textile Workers Union of America "fact sheet dealing with the decline of employment in the textile industry," listing employment in the textile industry by areas. pp. 6125-6

9. FORESTRY. Sen. Clark inserted a letter from the Secretary of the Department of Forests and Waters of Pa. enclosing a list of proposed Federal legislation in which his Department is "vitally interested." p. 6128

HOUSE

10. APPROPRIATIONS. Agreed to consider on Thurs., May 1, the Labor-Hew appropriation bill. p. 6130

11. WATER; TRANSPORTATION. Received from the President a report of the St. Lawrence Seaway Development Corporation activities for the year ended Dec. 31, 1958 (H. Doc. 120). p. 6131

12. MUTUAL SECURITY. Rep. Morgan stated that "the better informed Members are concerning the mutual security program, the greater will be their support for it," and urged Members to read certain classified information sent to the Foreign Affairs Committee by the Executive Branch. p. 6133

MODIFICATION OF REORGANIZATION PLAN NO. II OF
1939 AND REORGANIZATION PLAN NO. 2 OF 1953

M E S S A G E

FROM

THE PRESIDENT OF THE UNITED STATES

RETURNING

WITHOUT APPROVAL THE BILL (S. 144) ENTITLED "AN ACT TO
MODIFY REORGANIZATION PLAN NO. II OF 1939 AND REORGANI-
ZATION PLAN NO. 2 OF 1953"

APRIL 27, 1959.—Read; ordered to lie on the table and to be printed

To the Senate of the United States:

I return herewith, without my approval, S. 144, an act to modify Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953.

The bill provides that, in the approval and disapproval of loans, the Administrator of the Rural Electrification Administration (REA) shall not be subject to the supervision, direction, or other control of the Secretary of Agriculture. In all other respects the functions and activities of the REA would be exercised within the Department of Agriculture under the general direction and supervision of the Secretary.

Were S. 144 to become law it would mark a major retreat from sound administrative policy and practice. Twenty years ago the REA, then an independent agency, was by reorganization plan placed within the Department of Agriculture and under the general direction and supervision of the Secretary. The President, in his message transmitting Reorganization Plan No. II of 1939, said that the proposed reorganization was for the—

sole purpose of improving the administrative management of the executive branch.

That action of 20 years ago accords entirely with the later finding of the first Commission on Organization of the Executive Branch that—

There must be a clear line of authority reaching down through every step of the organization and no subordinate should have authority independent of that of his superior.

Because S. 144 violates this sound injunction I am compelled to disapprove it.

Moreover, there is nothing in the recent history of the REA which affords any basis for concluding that the best interests of the agency or the public would be served by removing the Administrator's loan-making authority from the general direction and supervision of the Secretary of Agriculture.

The REA since its inception has moved steadily in the accomplishment of its mission. When the agency was established, only a small percentage of the Nation's farms had central station electric service. Today 96 percent of our farmers have such service and about one-half the increase has been provided by REA-financed facilities.

In the past 6 years the REA-financed systems have made their greatest progress. Loans of more than a billion dollars have been made in this period, nearly half as much as was loaned by the agency in the previous 17½ years of its existence. Power sales have more than doubled since 1952, loan delinquencies have been reduced to the vanishing point, and the net worth of electric borrowers has more than tripled. Plant investment for these systems has more than doubled in the past decade. The REA telephone loan program, authorized in 1949, has resulted in loan approvals which now total approximately \$500 million and modern dial telephone service is rapidly being extended to the Nation's rural areas.

The REA has been working well and progressing efficiently under the existing administrative arrangements. The change in those arrangements proposed by S. 144 would be contrary to the public interest.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, *April 27, 1959.*

S. 144

EIGHTY-SIXTH CONGRESS OF THE UNITED STATES OF AMERICA, AT THE FIRST SESSION, BEGUN AND HELD AT THE CITY OF WASHINGTON ON WEDNESDAY, THE SEVENTH DAY OF JANUARY, ONE THOUSAND NINE HUNDRED AND FIFTY-NINE

AN ACT To modify Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the functions and activities of the Rural Electrification Administration and the Administrator of the Rural Electrification Administration which were transferred to the Department of Agriculture and to the Secretary of Agriculture by Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953 are hereby transferred to the Administrator of the Rural Electrification Administration, and shall be exercised and administered within the Department of Agriculture by such Administrator under the general direction and supervision of the Secretary of Agriculture; except that insofar as such functions relate to the approval or disapproval of loans authorized to be made under the Rural Electrification Act of 1936, as amended, their exercise by the Administrator shall not be subject to the supervision or direction of, or to any other control by, the Secretary of Agriculture.

SAM RAYBURN,
Speaker of the House of Representatives.
CARL HAYDEN,
President of the Senate pro tempore.

[Endorsement on back of bill:]

I certify that this Act originated in the Senate.

FELTON M. JOHNSTON, *Secretary.*



would be perfectly willing to introduce a resolution in the Senate, and I have thought of so doing, to provide that all our Ambassadors Extraordinary and Plenipotentiary should speak the language of the country to which they are accredited.

I remember reading an article some months ago which the Senator from Massachusetts [Mr. SALTONSTALL] inserted in the CONGRESSIONAL RECORD, written by Katherine Pringle, and her late illustrious husband, Henry F. Pringle, pointing out how few of our Ambassadors spoke the language of the country to which they were sent. I have also read the book "The Ugly American" with a good deal of dismay, because if the conditions described in that popular book are true about the lack of familiarity with foreign nations on the part of our oversea representatives, then our foreign policy is in a distressing condition indeed.

But what disturbs me about some of the speeches on the nomination, including the one of the very able Senator from Pennsylvania, is this: Are we going to start with the nomination of Mrs. Luce to impose these requirements? Would that be fair? We have been sitting in the Senate week after week, month after month, some of us year after year, some others much longer, confirming nominations of persons to be Ambassadors who were just as unfamiliar with the countries to which they were accredited as is Mrs. Luce, and who were equally lacking in language familiarity as is Mrs. Luce. I think it is part of a Senator's duty to be fair, that even the predecessors of Mr. Eisenhower made appointments of some of their political associates to be Ambassadors, and many of those associates did not speak the language of the country to which they were accredited.

This is the question to which I was coming: Might it not be better and fairer if we in the Senate proceeded to adopt a general policy that no person shall be appointed to represent this country overseas unless he or she speaks the language of the country to which he or she shall be accredited? It seems to me it would necessarily follow that a nominee with such qualifications should certainly understand the country in which he or she would be representing the United States of America. But is it fair or just to start with Mrs. Luce to impose such requirements, when the Senate and the Members of the Senate have been confirming nominees who did not have such qualifications for weeks, months, years, decades, generations, and, for all I know, nearly 2 centuries?

Mr. CLARK. In direct response to the question of the Senator from Oregon, I think it would be a mistake for the Senate to pass a resolution requiring every Ambassador to speak the language of the country to which he is accredited. That is perhaps a sad commentary on the state of education, not only of those in the Foreign Service, but among the American people generally. I am sure we would have the greatest difficulty in finding competent Ambassadors who understand

our Foreign Service, our policies and our problems, who spoke the languages of many of the countries of the world, which I will not name, but with which the Senator from Oregon is familiar. One of the languages might be Portuguese, and another might be Finnish. There might be many nations in the Near East and in the Far East whose languages our Ambassadors might not know. There are very few persons, in and out of the Foreign Service, who speak fluently the language of some countries in the world. The learning of many more languages by the people of this country is one of the objectives we should aim for. That is why I was so enthusiastically in favor of the Defense Education Act last year, which called for far greater study of foreign languages in our public schools. However, that should be one of our objectives for the future.

When a person outside the Foreign Service is nominated to be sent to a country with which he is not familiar, and when, in addition to that disability, that person does not speak the language of the country, it is an additional reason for suggesting that the nomination is not wise.

With respect to the Senator's question, "Where do we start?" he has been in the Senate longer than I have—

Mr. NEUBERGER. But a relatively short period of tenure!

Mr. CLARK. The Senator from Oregon, nevertheless, is my senior. Minor virtue though consistency may be, I have stood on the floor and have done what I could to prevent other nominations from being confirmed when I thought they should not be. I do not regret that action. I intend to do it again, because I think our standards are far too low in performing the duties laid down for the Senate by the Constitution of the United States.

We have to start somewhere. I am not starting now. I started a year ago or 2 years ago. I am simply trying to carry out what I tried to do earlier. Then, as no doubt will be true now, the majority of my colleagues felt my position was not well taken. In all probability my friend from Oregon feels that way.

Mr. NEUBERGER. I simply want to ask one more question, and then I shall desist from imposing upon the Senator's time.

Mr. CLARK. The Senator is not imposing in any way.

Mr. NEUBERGER. I thank the Senator from Pennsylvania.

Is it not true that all of us, including the able Senator from Pennsylvania, during the past several years and perhaps longer, have voted almost perfunctorily to confirm nominations of persons to be ambassadors and ministers, when those persons certainly were not familiar in any way with the country to which they were going in order to represent the United States?

Mr. CLARK. That has been the experience in the Senate, and I regret it. One does not like to constantly be a carping critic. It may be that I have been derelict in my duty by not oppos-

ing a number of other nominations of persons to be ambassadors.

I do not remember at this moment exactly how I voted with regard to the nomination of Mr. Gluck to be Ambassador to Ceylon. I thought that was an unfortunate nomination, and I spoke against it on the floor. I still think it was unwise. It may be that other nominations have slipped through.

I do not think one should take advantage of one's immunity on the floor of the Senate to make uncomplimentary remarks about American citizens, who no doubt are very patriotic and possibly more able than the Senator from Pennsylvania, but I will say that if people of the same caliber have had their nominations confirmed it is not because I did not try to fight them.

Mr. NEUBERGER. I thank the Senator from Pennsylvania for his characteristic courtesy and candor in answering my questions.

Mr. CLARK. I thank my friend for his interjection in the colloquy.

Mr. President, I now return to stating the reasons, in addition to Mrs. Luce's lack of specific experience, why I believe her nomination should not be confirmed.

My first reason was lack of experience. My second reason is Mrs. Luce's lack of objectivity.

Mr. President, this may seem a curious kind of criticism for a politician to make, and I would be the first to admit that on the hustings I have engaged from time to time in exaggeration, I have said some things which in cooler moments I regret, and I have been a partisan—and I shall be again. But this is not the same, it seems to me, as the situation with respect to a nomination of a person to be an ambassador to an important, friendly country, considered in the light of the fact that statements—to be charitable—of high inaccuracy were called to the attention of the individual who made them and, many years after that event, her testimony still is that she stands by her statement that Franklin Roosevelt lied us into war.

Mr. President, I think almost all good Americans would now, after the heat of events, agree that was an unfortunate statement. It would seem to me to be the kind of statement which an individual possessing real objectivity would apologize for and would retract, and as to which the individual would say, "The statement was made in the heat of a campaign. It was made in hotblood. It was the kind of thing which you gentlemen, as Members of the Senate, perhaps have done at times."

But to stand on that statement and to say she still believes it, I think, Mr. President, is a sad commentary on the objectivity of the lady in question, as indeed I fear have been a number of her other activities in public life, both as a Member of the other body, as a leading Republican politician, and as a playwright. I use the word "politician" in a good sense, and not in an evil sense.

Mr. RANDOLPH. Mr. President, will the Senator yield?

Mr. CLARK. I am happy to yield to the Senator from West Virginia.

Mr. RANDOLPH. The Senator from Pennsylvania has invited our attention to the apparent unwillingness of Mrs. Luce to retract the statement which she previously made in reference to a former great President of the United States. I point to page 7 of the hearings, in which the distinguished chairman of the Committee on Foreign Relations of the U.S. Senate made the comment:

You think he lied us into a war?

Mrs. LUCE. I stand by my statement.

I think at this point the RECORD should be made clear as to the colloquy between the chairman and the person nominated.

Mr. CLARK. I thank the Senator for his helpful interjection.

Mr. President, my third reason for reluctantly opposing the confirmation of this nomination is that I believe the hearings before the Committee on Foreign Relations disclose a lack of mature judgment on the part of the nominee, which disqualifies her for this important diplomatic post. I hope that before the vote is taken tomorrow, every Member of the Senate will read carefully this not-too-long document of 38 pages I hold in my hand, including the appendix, which represents the hearings before the Committee on Foreign Relations, and I hope each Member will judge for himself whether, as he can reconstruct it from the printed word, the demeanor and behavior of the witness before the committee evidenced that calibre of dignity and that sense of judgment which one would expect from an Ambassador of the United States of America.

I have said before, and I say again, that Mrs. Luce is a charming and attractive woman, but I suggest that in her previous career as a playwright, as a political speaker, and, indeed, according to many—the record carries the evidence—as an Ambassador to Italy, she has not displayed those qualities of sound and mature judgment which are the essential part of the armament of an Ambassador of the United States of America.

Finally, Mr. President, my fourth reason for opposing the confirmation of this nomination are the affiliations of Mrs. Luce. We must be careful when we speak of things like affiliations. A sad, black chapter in the history of our country was built in this decade on the basis of guilt by association. I wish to distinguish these comments very clearly indeed from the type of smear which has occurred in the saying: "A once met B; and B knew C; and C is a fellow traveler or a Communist."

We must distinguish between that kind of guilt by association and the necessary and admitted and much-to-be-commended affiliations which arise from the institution of matrimony.

Mrs. Luce is Mr. Luce's wife. Mr. Luce, Mrs. Luce testifies, will spend 6 months out of every year with her in Brazil if her nomination is confirmed. I do not intend to attack the personal integrity or the ability of Henry Luce. They are both great.

I agree with the Senator from Connecticut [Mr. Bush], who said Mr. Luce came up the hard way. He was the son of a missionary. He went into the maga-

zine business shortly after World War I, and he has built up an empire and a powerful financial structure. He has amassed great wealth. That is the American way of life. This is what we hold out as a goal before many Americans. I think he is to be commended for it.

But I say that experience has shown that Mr. Henry Luce, the husband of the nominee, has evidenced consistently, and almost from month to month, the same lack of objectivity and the same lack of judgment which I fear are characteristic of the nominee.

I will not gild the lily. We know that Time magazine started as a weekly news magazine. Many years ago it was converted into a journal of plutocratic opinion, and as such it distorts the facts of American life week by week and month by month, in support of policies—no doubt honestly held by its publisher—which, in my judgment are detrimental to the best interests of the United States, policies which came very close, no more than a month ago, to getting us into what might well have turned into a revolution in Bolivia, or perhaps a war. Our diplomacy was held up to scorn over a large area of Latin America. Why? Because of the desire to make a "slick chick" wisecrack in a widely read magazine published in Spanish throughout Latin America, and repeated in the English edition.

We know what happened to the China policy which Mr. Luce advocated. At the time there were those who thought that was an indication of lack of objectivity and lack of judgment. I hope we are not to have a repetition in Brazil of the situation which occurred in Bolivia, under a Latin American policy which would carry with it equally disastrous results.

On the 19th of March of this year I had occasion, as shown on page 4112 of the CONGRESSIONAL RECORD, to insert in the RECORD an article by a very able reporter on the Providence Journal-Bulletin. This article was an effort to analyze Time magazine in an article which was subsequently printed in the New Republic. I invite the attention of my colleagues to the excerpts from that article which appear upon that page in the RECORD. I read the concluding paragraph, which is a quotation from the late William Allen White:

I think on the whole, sooner or later, the American people do get the truth. But they often get it when it is cold potatoes and does them no good.

I say it with deep regret, but I do not believe that the affiliations of Mrs. Luce and the attitude of mind of her husband—again, no doubt honestly held, because he thinks that is the way to do things—are very helpful to the foreign policy of the United States. Therefore I am reluctantly compelled to vote against confirmation of the nomination of Mrs. Clare Boothe Luce to be our Ambassador to Brazil, on the ground that the record shows that she does not have the necessary experience, objectivity, or judgment, and that her relationship with the Luce newspaper empire is, in my judgment, likely, if not certain,

to hurt the status of the United States in the country to which she seeks accreditation.

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, so long as there will be no more speeches on the nomination of Mrs. Luce today, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

SECOND SUPPLEMENTAL APPROPRIATIONS, 1959

The PRESIDING OFFICER. The Chair lays before the Senate the unfinished business, which will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 5916) making supplemental appropriations for the fiscal year ending June 30, 1959, and for other purposes.

MODIFICATION OF REORGANIZATION PLANS NO. II OF 1939, AND NO. 2 OF 1953—VETO MESSAGE (S. DOC. NO. 25)

The PRESIDING OFFICER (Mr. CANNON in the chair) laid before the Senate the following message from the President of the the United States, which was read, and, with the accompanying bill, was ordered to lie on the table and to be printed:

To the Senate of the United States:

I return herewith, without my approval, S. 144, "An act to modify Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953."

The bill provides that, in the approval and disapproval of loans, the Administrator of the Rural Electrification Administration (REA) shall not be subject to the supervision, direction or other control of the Secretary of Agriculture. In all other respects the functions and activities of the REA would be exercised within the Department of Agriculture under the general direction and supervision of the Secretary.

Were S. 144 to become law it would mark a major retreat from sound administrative policy and practice. Twenty years ago the REA, then an independent agency, was by reorganization plan placed within the Department of Agriculture and under the general direction and supervision of the Secretary. The President, in his message transmitting Reorganization Plan No. II of 1939, said that the proposed reorganization was for the "sole purpose of improving the administrative management of the executive branch."

That action of 20 years ago accords entirely with the later finding of the first Commission on Organization of the Executive Branch that:

There must be a clear line of authority reaching down through every step of the organization and no subordinate should have authority independent of that of his superior.

Because S. 144 violates this sound injunction I am compelled to disapprove it.

Moreover, there is nothing in the recent history of the REA which affords any basis for concluding that the best interest of the agency or the public would be served by removing the Administrator's loan-making authority from the general direction and supervision of the Secretary of Agriculture.

The REA since its inception has moved steadily in the accomplishment of its mission. When the agency was established, only a small percentage of the Nation's farms had central station electric service. Today 96 percent of our farmers have such service and about one-half the increase has been provided by REA financed facilities.

In the past 6 years the REA-financed systems have made their greatest progress. Loans of more than a billion dollars have been made in this period, nearly half as much as was loaned by the agency in the previous 17½ years of its existence. Power sales have more than doubled since 1952, loan delinquencies have been reduced to the vanishing point and the net worth of electric borrowers has more than tripled. Plant investment for these systems has more than doubled in the past decade. The REA telephone loan program, authorized in 1949, has resulted in loan approvals which now total approximately \$500 million and modern dial telephone service is rapidly being extended to the Nation's rural areas.

The REA has been working well and progressing efficiently under the existing administrative arrangements. The change in those arrangements proposed by S. 144 would be contrary to the public interest.

DWIGHT D. EISENHOWER.

THE WHITE HOUSE, April 27, 1959.

Mr. HUMPHREY. Mr. President, a copy of the message of the President was made available earlier today to Members of the Senate. Now we have heard read to the Senate the veto message relating to Senate bill 144.

I say most respectfully that the message does not get to the heart of the proposed legislation. The proposed legislation did not deal with the number of loans that had been made or the amount of the loans, or the purposes for which the loans had been made. The bill was directed toward one thing, and only one thing, namely, the possibility of political interference in the granting of loans by the Rural Electrification Administration through the Secretary of Agriculture. The legislation was directed toward the commitment, which had been given by the Secretary of Agriculture to the Senate Committee on Government Operations, at the time the Reorganization Plan of 1953 went into effect, that if any changes were to be made in the administrative structure of REA and its relationship to the Department of Agriculture, the appropriate committees of Congress would be notified prior to those changes being made.

Those changes were made. The committees were not notified. The promise

and the assurance of the Secretary of Agriculture were not fulfilled, and the fears of many Members of the Senate, expressed at the time of the adoption of the reorganization plan, relating to the Department of Agriculture, actually became a fact. The Secretary of Agriculture appointed an officer in the Department of Agriculture with jurisdiction over the Rural Electrification Administrator, who is a presidential appointee.

Mr. President, I recommend that Senators study the message very carefully, and I hope that, after having studied it, my colleagues will come to the same conclusion to which I have come this afternoon, namely, that the message does not come to the point at all of what we are attempting to do, and that the President, in vetoing S. 144, insists on continuing a situation which is frowned upon and looked up with concern and worry by the REA's of the Nation. I hope, therefore, that the policy committee of the majority will take the stand to override the veto. It is about time that Congress made up its mind that government by veto shall come to an end.

From time to time, as we pass effective legislation in the Senate, which expresses the will of those of us who have gone out and talked to our people as to what a Democratic Congress would do, we are confronted with a veto. I am of the opinion that the time is at hand to challenge the veto. I for one am prepared to enter that battle. Win or lose—and it is important to win—it is essential that we stand up now and see whether or not we shall constantly have the efforts of the Congress stopped dead by the use of the veto by the President of the United States.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. MANSFIELD. I wish to associate myself with the remarks made by the distinguished Senator from Minnesota. It is about time that we face our responsibility in connection with this legislation. I recall, for example, on two previous occasions when the Senator from Minnesota engineered a good farm bill through the Senate, and when eventually both bills passed Congress, only to be vetoed by the President of the United States. No effort was made on the part of Congress to override the presidential veto of the only two good farm bills passed in the 6 years of this administration.

So, speaking as an individual Senator, I wish to assure the Senator from Minnesota that I am 100 percent with him. I hope that the veto by the President of the United States will be met by Congress and that, win or lose, we face our responsibility on this issue.

Mr. HUMPHREY. I thank the Senator.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. HUMPHREY. I yield.

Mr. DOUGLAS. I wish to say that I wholeheartedly concur in the remarks made by the Senator from Minnesota and the Senator from Montana. It is the duty of Congress to pass legislation which in its opinion is best for the Na-

tion. Both the Senate and the House, by very large majorities, showed that they did not believe that the present Secretary of Agriculture should have veto power in connection with REA projects.

I was very happy to vote for the Humphrey-Price bill. The RECORD shows that the Secretary of Agriculture is not friendly to REA, that he is particularly opposed to the generating and transmission activities of REA co-ops; that he wants to raise the interest rate to unconscionable heights and, if possible, drive REA co-ops into the private money market, where they would probably have to pay 4½ percent, or 5½ percent interest; and that at the very least he would like to see a 4 percent interest rate if the loans were continued to be made by the Federal Government.

Of course it is true that interest rates have risen in the last few years both on shorttime and on longtime borrowings by the Federal Government. I do not believe, however, that the interest rate exceeds the average interest rate on shorttime and longtime loans. The last time I looked at it, it was slightly less than 3 percent.

I also believe that there should be some scaling down even of that average, because Congress, in the Pace Act of 1944, required the REA co-ops to provide full area coverage and to take in virtually every farmer who applies, no matter how isolated he may be or how far away he may be from the distribution line. In my State of Illinois, which is one of the most prosperous farm States in the country, we have about three REA customers to the mile of distribution line. This is a very small figure. In other words, Congress compels REA co-ops to serve large groups of people whom the private utilities never would have served. Under those conditions it is proper that there should be a subsidy granted to the REA co-ops. I furthermore believe that in the case of some co-ops, where the farm population has been diminishing, which is true in the southern portion of my State, there should be a second scaling down of the interest rate.

So, I believe that the present policy of the Secretary of Agriculture is unwise and not in the national interest, and therefore the veto power should be taken away from him. I hope very much that the Democratic majority will decide to try to override the veto of the President. I wish to say that, as one humble Member of the Senate, I shall vote, if this question comes before us, to override the veto.

Mr. GRUENING. I share the hope that not only the Democratic majority but also Republican Senators will participate in that action. I say that because I see on the floor my very good friend, GEORGE AIKEN, of Vermont, who has played a very active part in making available low cost electricity to sections of the country which would never have had it but for the enlightened policy of the Roosevelt administration.

Mr. DOUGLAS. I wish to pay tribute to the distinguished Senator from Vermont, and I have been paying tribute to him in this regard for the past 11 years.

He has been one of the stalwarts in the fight to see that farmers of the country receive low-cost electricity. While I do not wish to embarrass him in any way, I hope that he also will vote to override the President's veto.

Mr. GRUENING. I am happy that the Senator from Vermont is on the floor, so that I pay tribute to his long-time record in this field, as well as to his independence in breaking with the administration when it was following an unwise and untenable farm policy. I am sure we can count on him again on this particular issue.

Mr. AIKEN. The question is, What is an unwise and untenable farm policy? I wish I knew. With regard to the REA matter, I agree wholeheartedly with what the Senator from Illinois was expounding, I believe, when I came on the floor, with reference to the interest rate charged REA co-ops. We know that if the interest rate were raised to 4½ percent or 5 percent or 6 percent, at least a third of the REA co-ops in the country would have to go to the wall. Possibly a few could stand it, but certainly about a third could not.

However, I shall have to part company with my good friend from Illinois and my good friend from Alaska, and points between, when they advocate overriding the veto. In my opinion the bill which takes the so-called veto power from the Secretary of Agriculture and places full responsibility for loans in the hands of the REA Administrator is pretty nearly meaningless as far as the REA program is concerned.

The REA Administrator will have to get through the Secretary of Agriculture the money he needs to make loans. There is one thing I regret, and I hope it may not turn out as I think possibly it will. I am afraid we are not unanimous in our feeling that the REA's interest rate should be kept low. I am simply afraid that in considering a bill like the one just vetoed, which actually does not do anything for the REA, we shall simply be affording an excuse to vote to raise interest rates and to do other things which would really be bad, and to enable Senators to point to this bill and say: "I supported the REA. My vote on this issue proves it."

I may be wrong. Perhaps every Senator who votes to override the veto of this bill will also vote against raising interest rates and doing other things to the REA which would not be so good.

Mr. DOUGLAS. Simply because people take one step in virtue should not cause the Senator from Vermont to believe that they will not take other steps in virtue. I should think the Senator from Vermont would welcome the overriding of the veto, because it would register in a very clear way that Congress did not want the Secretary of Agriculture to stifle the REA. I do not believe the Senator from Vermont wants that to happen either.

Mr. AIKEN. If I thought that every Senator who is likely to vote to override the veto would vote against raising the interest rates of REA and to vote against hamstringing REA in every way, I might

be tempted to vote to override the veto myself. But I still have some doubt in my mind that such may be the case.

Mr. DOUGLAS. I understand the Senator from Vermont has pending a resolution to override the opinion of the Comptroller General. I will support the Aiken resolution when it comes from the committee and is brought before the Senate for action. I hope this will be an evidence of good faith from our side of the aisle, and that the friends of REA on the other side of the aisle will forget partisan advantage and join with us to override the veto.

Mr. AIKEN. The one thing which bothers me is what the Senator from Illinois just said: "When the resolution comes from the committee." I wish we could have it reported by the committee, because it has been there since January 14.

I see the Senator from Minnesota in the Chamber. I know he will help me. I am not certain that the committee must have a quorum to vote on the question, but I think the committee should consider the veto of the bill now before us. I think that would be an excellent time also to vote to report the resolution which has been lingering in the committee since January 14. It should be reported by the committee and agreed to by the Senate in order to remove any shadow of doubt about the legality of all REA loans which have been made up to now and which may be made in the future.

Mr. HUMPHREY. Mr. President, will the Senator from Alaska yield?

Mr. GRUENING. I yield.

Mr. AIKEN. I would be much more reconciled to overriding the veto if I were assured that the resolution to which I have referred will be reported.

Mr. HUMPHREY. I will join with the Senator from Vermont to have that done. I think the Senator is correct.

Mr. YOUNG of Ohio. Mr. President, will the Senator from Alaska yield?

Mr. GRUENING. I yield.

Mr. YOUNG of Ohio. If the distinguished Senator from Illinois is, as he has said he is, and I know he is, a humble Member of this body, then, indeed, I, as the junior Senator from Ohio, a new Member of the Senate, am an extremely humble Member indeed.

I hold in the highest admiration the statement made a few moments ago by the senior Senator from Minnesota [Mr. HUMPHREY]. I hope the leadership of the Senate will bring before this body, and soon, the question of overriding the veto by the President of a meritorious bill. I say this as one who years ago, as a Representative at Large from Ohio in the other body, helped to draft the Rural Electrification Administration law. I am proud to say that as a Member of the other body, and on every year and nay vote, I supported the REA legislation.

In this instance, both Houses of Congress passed a meritorious bill. Whether we have the votes or do not have the votes to override the veto of the President is not material. What is material is that we should not fold in this moment. We should have a vote on the

question of overriding the veto. I hope that will be soon.

Mr. BARTLETT. Mr. President, will my colleague yield?

Mr. GRUENING. I am happy to yield to my colleague from Alaska.

Mr. BARTLETT. I wish to give to the Senator from Vermont one ninety-eighth of the assurance required.

Mr. AIKEN. I thank the Senator from Alaska. I am sure that when and if the resolution to which I have referred is reported to the Senate, it will be approved overwhelmingly, because it means so much, not only to the future of the REA program, but to the past, as well, which has been put under shadows by the decision of the Comptroller General.

Mr. DOUGLAS. The best way to have the Aiken resolution reported is to override the President's veto by a big vote. That will be a clear mandate that just as we do not want the Secretary of Agriculture to hamstring the REA progress, neither do we want the Comptroller General to hamstring the program.

If we override the veto by a big vote, it will then be possible to have the Aiken resolution reported, and I shall be very glad to vote for it.

Mr. GRUENING. Mr. President, before passing to another topic, I should like to associate myself with the remarks of the Senator from Minnesota [Mr. HUMPHREY] and other Senators who have protested against the President's veto of the Humphrey-Price bill.

REA is one of those constructive, inventive actions taken by the Roosevelt administration more than 20 years ago. It has revolutionized the agricultural sections of the country by bringing low-priced electricity to the farms. It is a striking fact that the Eisenhower administration, while accepting, because of their overwhelming and popular support, the drastic, far-reaching, and beneficial reforms of the Roosevelt administration, and being unable to repeal them, has nevertheless, somehow, managed consistently, and perhaps not too consistently, to weaken them by administrative procedure.

The Humphrey-Price bill is not a very drastic measure; it is simply an attempt to diminish and forestall the administration's efforts gradually to wreck REA. It is obvious that that is what the administration is trying to do by curtailing the power of the Administrator to make needed loans, and by preparing to raise interest rates, as it has done throughout its tenure, for the benefit of vested-interest groups. Therefore, I sincerely hope Congress will seriously consider the President's veto message and will vote to override the veto.

MILITARY DEFENSE OF ALASKA

Mr. GRUENING. Mr. President, the New York Times yesterday printed a letter signed by the two Senators from Alaska and the Alaska Representative in the House taking issue with statements in an article published by the New York Times' military expert, Hanson W. Baldwin. I ask unanimous consent to have the letter printed at the conclusion of my remarks.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued April 29, 1959
For actions of April 28, 1959
86th-1st, No. 66

acreage allotments.....	31		
appropriations.....	2,13		
civil defense.....	15		
credit unions.....	25		
dairy products.....	16,20		
electrification....	1,18,35		
employment.....	29		
farm prices.....	7		
farm program.....	4,28		
feed grains.....	12,32	Nominations.....	27
fish and wildlife.....	11	Personnel.....	23
fisheries.....	24	Postal rates.....	30
foreign affairs.....	10	Prices.....	5,7,29
foreign aid.....	6,34	Price supports.....	20,32
forestry.....	19	REA loans.....	1,18
monopolies.....	33	Reclamation.....	14,21,35
		Research.....	9
		Saline water.....	9
		School lunch.....	17
		Sugar.....	8
		Tobacco.....	12
		Water resources.....	3
		Wheat.....	22,26

HIGHLIGHTS: Senate overrode President's veto of REA loan approval bill. House committee ordered reported tobacco and feed grains price support bills. Senate debated second supplemental appropriation bill. Rep. McGovern urged Congress to override veto of REA loan approval bill. Rep. McIntire commended Secretary's proposed national forest program. House committee reported Labor-Hew appropriation bill. Sen. Humphrey and Reps. Johnson, Wis., and Kastenmeier introduced and Sen. Humphrey discussed dairy stabilization bills.

SENATE

1. ELECTRIFICATION. Overrode, 64 to 29, the President's veto of S. 144, to give the REA Administrator additional authority over the approval of loans. Sens. Dirksen, Anderson, Hickenlooper, and Aiken defended the President's action. Sens. Humphrey and Symington urged that the veto be overridden. pp. 6211-5
2. SECOND SUPPLEMENTAL APPROPRIATION BILL. Began debate on this bill, H. R. 5916. Agreed to the Committee amendments en bloc. (See Digest 59 for a summary of the bill as reported by the Appropriations Committee.) pp. 6216-24, 6226-35
3. WATER RESOURCES. Agreed to, without amendment, S. Res. 111, to increase the membership of the S. Select Committee on National Water Resources by 4 additional members to be named by the Vice President. The resolution had been submitted earlier in the day by Sen. Murray. pp. 6197-8

4. FARM PROGRAM. Sen. Proxmire inserted an article, "The Poverty of Abundance, critical of the Secretary's farm policies. pp. 6190-3
5. PRICES. Sen. Butler inserted a University of Pittsburg professor's letter, "Administered Prices," stating that "administrative pricing is an integral part of our society." p. 6238
Sen. Butler commended the American Can Co. for reducing the price of cans "used for packing the fruits and vegetables constituting a major portion of the average family's food budget." p. 6240
6. FOREIGN AID. Sen. Morse inserted a newspaper article, "The Annual Headache," discussing the proposed mutual security bill. p. 6199
7. FARM PRICES. Sen. Carlson inserted a local Kan. Farmers Union resolution urging that "Congress pass legislation to encourage an upward trend in farm prices." p. 6171
8. SUGAR. Received a Salt Lake City, Utah, sugar workers union resolution favoring enactment of legislation to extend the Sugar Act. p. 6170
9. SALINE WATER; RESEARCH. Received a Calif. Legislature resolution urging that Antioch, Calif., be selected as a site for an experimental saline brackish water conversion plant. p. 6170
10. FOREIGN AFFAIRS. Sen. Neuberger inserted an article by the American Assoc. for the United Nations on the achievements of the U. N., including a review of economic assistance to foreign countries and U. S. contributions to the U. N., including the Food and Agriculture Organization. pp. 6200-02
Both Houses received from the State Department a proposed bill "to promote the foreign policy of the United States by amending the U. S. Information and Educational Exchange Act of 1948"; to H. Foreign Affairs and S. Foreign Relations Committee. pp. 6169, 6247
11. FISH AND WILDLIFE. Sen. Gruening commended Secretary of Interior Seaton for certifying "that Alaskans have made adequate provision for the administrative management, and conservation in the broad national interest of the fish and wildlife resources of Alaska" which "will mean that these important resources which heretofore have been administered wholly by the Federal Government, will shortly hereafter be a responsibility of the State of Alaska." pp. 6199-6200
Both Houses received from the Secretary of the Interior a letter certifying that the Alaska State Legislature has made adequate provision for the administration, management, and conservation of the fish and wildlife resources of Alaska; to H. Merchant Marine and Fisheries and S. Interstate and Foreign Commerce Committees. pp. 6169, 6247

HOUSE

12. TOBACCO; FEED GRAINS. The Agriculture Committee ordered reported with amendment H. R. 5058, to modify present provisions for determining the level of support for tobacco; and H. R. 5432, to provide that the price support for oats, rye, barley, and grain sorghums shall be established on the basis of the feeding value of the commodity in relation to corn. p. D291
13. APPROPRIATIONS. The Appropriations Committee reported, without amendment, H. R. 6769, making appropriations for Labor-HEW for the fiscal year 1960 (H. Rept. 309). p. 6247

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of these nominations.

The PRESIDING OFFICER. Without objection, the President will be notified forthwith.

LEGISLATIVE SESSION

Mr. JOHNSON of Texas. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, communicated to the Senate the intelligence of the death of Hon. JAMES G. POLK, late a Representative from the State of Ohio, and transmitted the resolutions of the House thereon.

MODIFICATION OF REORGANIZATION PLANS II OF 1939, AND NO. 2 OF 1953—VETO MESSAGE (S. DOC. 25)

Mr. JOHNSON of Texas. Mr. President, I ask that the President's veto message withholding his approval from Senate bill 144 be laid before the Senate. The PRESIDING OFFICER (Mr. HART in the chair) laid before the Senate the message from the President of the United States withholding his approval from Senate bill 144, to modify Reorganization Plan No. II of 1939, and Reorganization Plan No. 2 of 1953, which was read.

(For veto message, see CONGRESSIONAL RECORD of April 27, 1959, p. 6120.)

The Senate proceeded to a reconsideration of the bill.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that debate be limited to 30 minutes, the time to be divided equally between the majority leader and the minority leader.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The time of 30 minutes is divided equally.

The question is, Shall the bill pass, the objections of the President of the United States to the contrary notwithstanding?

Mr. DIRKSEN. Mr. President, the time for debate has been fixed at 30 minutes with 15 minutes to each side. At the end of the debate we shall vote on the President's veto of the REA reorganization bill. The veto message is short, and it seems to me that it states the whole case very well. In returning the bill without his approval the President analyzes the whole matter when he says:

The bill provides that, in the approval and disapproval of loans, the Administrator of the Rural Electrification Administration (REA) shall not be subject to the supervi-

sion, direction or other control of the Secretary of Agriculture. In all other respects the functions and activities of the REA would be exercised within the Department of Agriculture under the general direction and supervision of the Secretary.

Mr. ALLOTT. Mr. President, may we have order?

The PRESIDING OFFICER. The Senator from Illinois will suspend until the Senate is in order. The Senate will be in order. The Senator from Illinois may now proceed.

Mr. DIRKSEN. The President uses one phrase which I believe expresses the whole story. He states that the enactment of the bill into law would mark "a major retreat from sound administrative policy and practice."

I thoroughly concur in the sentiment expressed by the President in his message. I point out that REA was placed in the Department of Agriculture, under the Secretary of Agriculture, 20 years ago. It was done in the administration of Franklin Roosevelt. It has worked well, and it is working well today. The operation is quite in accord with the recommendation which was made by the Commission on Organization of the Executive Branch. They felt that one of the weaknesses in the executive branch of the Government was the lack of a clear line of responsibility from the top to the bottom in some of our agencies and departments.

In placing REA in the Department of Agriculture, with authority vested in the Secretary, we conformed to the recommendation of that Commission, consisting of some of the finest administrative brains in the country, and we followed out a long line of practice which goes back to the Roosevelt administration. Nothing has appeared in the record to indicate that the bill should have been enacted by Congress in the first instance.

The REA Administrator appeared before the committee, and among other things he said that the Secretary and the Director have never interfered with his position and that he, the Administrator, makes the loans. I point out that there is something more involved here than just this matter.

If we can do this in this instance, what is to prevent us from saying to Secretary Seaton, of the Department of the Interior: "You supervise and control all of the Interior Department except projects which come within the jurisdiction of the Bureau of Reclamation"? What is to permit Congress from saying to the Secretary of the Treasury: "You run your show, but when it comes to loans for defense purposes, you shall have nothing to say about them"? What is to prevent Congress from saying to Secretary Benson, "You run your show, but when it comes to loans made under the Farmers Home Administration, there, of course, you shall have nothing to say whatever"?

This, then, becomes a weapon, which, in my judgment sets a dangerous precedent which will one day haunt the National Legislature if it fails to sustain the veto today.

Mr. ANDERSON. Mr. President, will the Senator yield?

Mr. DIRKSEN. I yield to the Senator from New Mexico.

Mr. ANDERSON. The Senator from Illinois was a Member of Congress during the time I was Secretary of Agriculture. At that time the Administrator of the Rural Electrification Administration had the same authority he now has. Certain authority would be taken away from the Secretary of Agriculture by the bill. I do not like to embarrass the Senator from Illinois, but did the Administrator have any complaints from any of the Senator's constituents that the Secretary of Agriculture then was interfering with the work of the Rural Electrification Administration? I can only say to the Senator from Illinois that, so far as I recall I never interfered with a single loan made by the Rural Electrification Administrator, except one time, and then, on that loan, he subsequently told me he thought I was right. I gave him support hundreds of times when he needed help in particular situations. I believe that the Secretary of Agriculture can help more than hinder the Administrator if he has the authority which he now has and which he would lose if the Humphrey bill were enacted. Therefore, I say to the Senator from Illinois that I intend to support the veto of the President of the United States.

Mr. DIRKSEN. I remember when the distinguished Senator from New Mexico became the Secretary of Agriculture while we were both in the House of Representatives. I remember the days when we stood together on the House Appropriations Committee, and I recall many felicitous conferences we had when he was Secretary of Agriculture and I was chairman of the Subcommittee on Agricultural Appropriations of the Committee on Appropriations. We always found a common ground. We did so because the line of authority ran from the top to the bottom whenever any difficulty arose.

That is all that the President of the United States is asking for with respect to the veto. It ought to be sustained.

No case can be made that the REA has suffered as a result of the present arrangement. The power output has doubled. In the past 6 or 7 years the agency made the greatest progress it has ever made. In excess of a billion dollars have been loaned. There has been no interference. Delinquencies are almost at the vanishing point. The net worth of the cooperatives has practically tripled. There has been no quarrel whatever on that score. There has been a little difficulty with respect to a cooperative in Indiana. Suddenly there comes a proposal to shear a Cabinet member of his authority over a component agency.

I wonder what would be said if in a large corporation the board of directors said to the president, "You run the show, but you will have nothing to say about the sales department." How efficient would it be? How far would any suggestion like that get? Yet it is proposed to say to a Cabinet member, "You can supervise, you can do all these things, but you cannot touch a very important

function in one of your component agencies."

I point out that under the law the REA Administrator is appointed for 10 long years. He cannot be disciplined by the Secretary. He cannot be removed. I can think of all sorts of difficulties which might arise unless, in the first instance, there is supervisory authority from top to bottom, so that difficulties will never eventuate and have to fall into the lap of the President of the United States. It is bad practice to enact his kind of legislation.

I hope that as we realize the long-range implications of the bill there will be enough votes in the Senate today to sustain the veto of the President of the United States.

Mr. HICKENLOOPER. Mr. President, I agree with what the Senator from Illinois has said, and also with what the Senator from New Mexico has said. As a Senator who favored the establishment of a separate agency for REA when the issue was before the Senate a few weeks ago, I voted against the bill as it passed, which left REA in the Department of Agriculture but took away from the Secretary any rights to loan supervision.

I believe that the bill as it passed fails to provide good administrative practice. What it proposes is not good business practice in any sense of the term.

As I said a moment ago, I favored establishing a separate agency, if that is what they wanted, but not to leave it in the Department of Agriculture and shear the head of the Department of administrative power while at the same time he had the responsibilities as head of that Department.

I believe the President's veto is utterly sound, and I certainly hope that it will be sustained. It is a matter of good business, good administrative policy, and plain commonsense.

Mr. ANDERSON. I find myself in agreement with what the Senator from Iowa has said. I did not vote for a separate agency. However, if we are to give a man authority and put him off by himself, we should provide him a separate agency. However, if he is supposed to be under the head of a department, we had better let the head of the department have some jurisdiction over him.

I am a member of the Committee on Interior and Insular Affairs, and I am very much interested in reclamation, as most Senators know. I would not for a moment favor legislation which would give Mr. Dominy, who is the new head of the Bureau of Reclamation, authority to decide what reclamation projects shall go through, with the Secretary of the Interior having no authority over that subject.

I could go through the other Departments. My friend Bob Anderson has authority over the Treasury Department. I would not think of setting up a Bureau of Internal Revenue, so that the Director of that Bureau would be under the Secretary of the Treasury but that the Secretary of the Treasury could

never have a word to say to him. He might be appointed for 10 years.

That, I think, is the tragic administrative error which is contained in the bill which was passed and which the President, most properly, has vetoed.

Mr. HUMPHREY. Mr. President, the majority leader is in control of the time on this side, but he has given me the privilege of using some of it. I yield myself 5 minutes.

I have listened to the arguments which have been advanced again today in support of the President's veto message. The arguments are the same as were made at the time S. 144 was passed. Let us look at them for a moment.

I know there is serious concern in this body over the administrative practice. The truth is that there was a group of Senators who wanted a completely independent agency for REA. The argument for the independent agency was as follows: That the REA is a bank, in fact; that REA is in the business of lending money; and that, therefore, REA should be separate and distinct from and clear of any political consideration.

Congress, in establishing REA, provided that the Administrator would be appointed on a nonpartisan, 10-year basis, so that no matter what administration was in power, the REA administrator would have more years of tenure of position than the two terms of any administration. This is the only way we have of insulating an administrative agency from political control.

I repeat: There is a strong feeling in the Senate that, on the one hand, REA should be in the Department of Agriculture, with which I agree. On the other hand, there is a feeling that REA should be a completely independent agency. So what was done by S. 144 was to keep REA, for purposes of accounting, personnel, bookkeeping, budgeting, and presentation of REA policy to Congress under the jurisdiction of the Secretary of Agriculture. That fulfills the requirement of the Hoover Commission in its relationship to what is called good housekeeping—the housekeeping functions of an agency within a department.

The second feature which was recommended by certain Senators—and I believe a substantial number voted for it—was an independent agency, which made REA, so far as its loanmaking functions are concerned, and so far as the granting of funds to local rural cooperatives is concerned, independent of any kind of political control. The REA Administrator has complete authority, as he had at the inception of the REA act. Second, the REA Administrator has complete authority, as he had under the Reorganization Act of 1939.

Why was it that S. 144 was brought before us? Because at the time of the Reorganization Act of 1953, the Secretary of Agriculture said, and the record so reveals, that if any administrative changes were to be made in REA—administrative changes about which many Senators worried, and so expressed themselves—the Secretary would notify the appropriate committees of Congress

before anything was done. He also said he intended to do nothing in that respect. He intended only, as he said, under the terms of the overall Reorganization Act, to keep REA as it was under the act of 1939.

What happened? The Secretary of Agriculture did do something. He appointed a man who did not require Senate confirmation to be the supervisor of all farm credit services was REA. That supervisor, a Mr. Scott, who, I am certain, is a very fine man, found himself in the position of having supervisory control over a presidentially appointed, Senate-confirmed REA Administrator. In other words, for the first time since the beginning of REA, an official was appointed who had supervisory power over the REA Administrator exclusive of the Secretary of Agriculture.

The Senator from Georgia [Mr. Russell] testified before our committee as to the possibilities of this happening. Other Senators did the same. The Secretary assured them it would not happen. The Secretary assured me that it would not happen. But it did. Therefore, what we have attempted to do is to protect the administrative soundness of this agency, on the one hand, and the fiscal independence of the agency, on the other hand.

The PRESIDING OFFICER. The time of the Senator from Minnesota has expired.

Mr. HUMPHREY. I yield myself 2 minutes more.

This procedure is not unusual. The best argument which can be made in this body is for an independent REA agency, in terms of the complete independence of the agency. But that would violate what are called administrative procedures of management, personnel, budgeting, and accounting.

I call the attention of the Senate to the fact that the Small Business Administration grants money and makes loans. It does not have over it a Secretary who has the right to counteract the making of such loans or grants. The Small Business Administration, which is a loan-making agency, and has on its board the Secretary of Commerce, does not permit the Secretary of Commerce to deny the making of loans.

We are asking the same thing for REA: That the REA Administrator, who is not a political appointee, whose term overlaps those of the Secretary of Agriculture and the President, be granted complete independence in the loanmaking functions.

Let us consider another great agency in the Government. I should like to know how some Senators would feel if TVA were under the thumb of the Secretary of the Interior in some of its activities relating to its financing. No; they want independence for TVA when it comes to its financing. So do I. I think this is exactly where a sound principle of fiscal management is involved. We do not want to have political considerations advanced where loans or grants are to be made available. That is why we have selected means and

methods, in this particular measure, to keep the administration of REA in the Department of Agriculture, but the loan-making functions in the independence of the REA Administrator.

No one is trying to insult the Secretary of Agriculture. No one is trying to say there has been corruption in REA, or even mismanagement. All we are saying is: An ounce of prevention is worth a pound of cure.

We are saying that some Senators in 1953 were worried that someone would tamper with REA, and found their worries being fulfilled. There was some tampering. The agreement was not kept. What we are doing is exactly what was done in 1939, because from 1939 to 1953, while it is true that the Secretary of Agriculture had the overall, general supervision, he did not appoint somebody to be supervisor over REA, as in the present situation. He left the REA autonomous; he left it independent. What we are attempting to do is to blend the original act of 1936 with the Reorganization Act of 1939. Both of them were sound. Both of them worked well. I think we have a good objective.

I regret that the President has seen fit to veto the bill, because the bill does not violate sound principles of administration. If it does violate sound principles of administration, then so does the Small Business Administration; so does the Housing and Home Finance Administration. I think the bill contains good principles, principles which should be maintained.

The PRESIDING OFFICER. The additional time of the Senator from Minnesota has expired.

Mr. DIRKSEN. Mr. President, will the Senator from Minnesota yield? I had 3 minutes, which I have already yielded.

Mr. HUMPHREY. I yield.

Mr. DIRKSEN. There is no analogy between REA and TVA. TVA is an independent body, created by Congress. It has always been independent.

But the REA is a component agency in a Cabinet Department, and there is no analogy whatsoever between it and the TVA.

Mr. HUMPHREY. I say most respectfully that in the financing functions of the two there is an analogy. The analogy is that when it comes to the money the REA is a loaning agency, and the TVA is a financing agency. Furthermore, I point out that, under the urging of the Senator from Nebraska [Mr. CURTIS] and the Senator from Georgia [Mr. RUSSELL] we have taken the first step, namely, that of preserving the independence of the loan-making functions of the Administrator. Then we have taken the second step; we have acted on the basis of the recommendations of the Hoover Commission reports—in particular, one of the fundamental principles of those reports, to the effect that the housekeeping functions, the budgeting, the purchasing, the procurement, the minutia—the total functions of the administration—be kept within the Department of Agriculture.

This measure provides for good administration, and at the same time it protects the independence of the REA in its vital function of granting loans.

Mr. DIRKSEN. Mr. President, the greatest study of administration ever made disagrees with the Senator from Minnesota.

Mr. HUMPHREY. I appreciate that.

Mr. KEFAUVER. Mr. President, will the Senator from Minnesota yield to me?

Mr. HUMPHREY. I yield 1 minute to the Senator from Tennessee.

Mr. KEFAUVER. Is it not true that the Administrator of the REA is picked on the basis of his special qualifications to handle the affairs of the REA, particularly its loans; and his nomination is confirmed by the Senate?

Mr. HUMPHREY. That is correct.

Mr. KEFAUVER. Whereas the supervisor whom the Secretary of Agriculture can, and recently has, placed over the Administrator of the REA is not confirmed by the Senate and need not have any special qualifications in connection with the REA; is not that true?

Mr. HUMPHREY. The Senator from Tennessee is absolutely correct.

Mr. KEFAUVER. Is it not also true that the supervisor, over whom the Senate has no power of confirmation, and who is not particularly selected on the basis of his ability in connection with REA matters, has been using this power of supervision over the Administrator of the REA?

Mr. HUMPHREY. He has testified that he has the power.

The PRESIDING OFFICER. The time yielded to the Senator from Tennessee has expired.

Mr. SYMINGTON. Mr. President, will the Senator from Minnesota yield to me?

Mr. HUMPHREY. I yield 1 minute to the Senator from Missouri, for whatever purpose he wishes.

The PRESIDING OFFICER. The Senator from Missouri is recognized for 1 minute.

Mr. SYMINGTON. Mr. President, as a member of the Government Operations Subcommittee in the last Congress, I had the opportunity to hear the members and leaders of REA cooperatives from all over the country.

These experienced men had come to Washington to ask Congress to restore to their REA Administrator the full authority for making loans and handling other financial matters.

This bill as originally conceived, was in response to the requests—the pleas—of these REA people. It was not—as some have said recently—a slap at the Secretary of Agriculture. It is sound legislation that gives to the REA Administrator—nominated by the President and approved by Congress—the authority to handle the most important function of this program—that of loan making.

I supported this bill in committee; I voted for it and spoke in its behalf on the Senate floor, because I believe it is a sound bill and is in the best interests of the future of REA.

I regret that the President saw fit to veto this bill, and believe it important for the future of the REA that the Congress take prompt action to override this veto.

Mr. President, I now wish to ask the distinguished Senator from Minnesota whether it is true that the Secretary of Agriculture has not done what he agreed he would do in regard to the handling of the REA?

Mr. HUMPHREY. Yes. In fact, the Senator from Missouri has raised the point which precipitated this bill. The Secretary of Agriculture, in response to an inquiry by the distinguished Senator from Georgia [Mr. RUSSELL], said that if any changes relating to the REA were to be made under the reorganization Act of 1953, he, the Secretary, would first come to the committees of Congress and would propose the changes and would obtain congressional advice and consent before such changes were made. But nothing of that sort ever occurred. Instead, the changes were made. A supervisor was placed in charge—one who is not appointed by the President or confirmed by the Senate. The supervisor has testified that he has supervisory control, even if he has not exercised it. I believe the Senator from Missouri has put his finger directly on the reason for this proposed legislation. It is not proposed because there has been maladministration. It is proposed because there has been a violation of the understanding which the Senate had as to the reorganization.

Mr. SYMINGTON. Mr. President, will the Senator from Minnesota yield further?

Mr. HUMPHREY. I yield.

Mr. SYMINGTON. Does the distinguished Senator from Minnesota recall that last February, the Secretary of Agriculture agreed to present an omnibus farm bill to the Committee on Agriculture and Forestry.

Mr. HUMPHREY. He did, indeed.

The PRESIDING OFFICER. The time yielded to the Senator from Missouri has expired.

Mr. HUMPHREY. Mr. President, how much time remains under my control?

The PRESIDING OFFICER. Five minutes.

Mr. HUMPHREY. I yield 2 additional minutes to the Senator from Missouri.

The PRESIDING OFFICER. The Senator from Missouri is recognized for 2 additional minutes.

Mr. SYMINGTON. Mr. President, the Senator from Minnesota does not know, does he, that up to this time any omnibus bill has come to us from the Department of Agriculture?

Mr. HUMPHREY. I know of none. In fact, I know to the contrary; I believe the Department has indicated that it is not going to send such a bill to us.

Mr. SYMINGTON. Mr. President, in view of past experience it is no surprise to me to find that REA members throughout the Nation and so many Members of this body want to return to the REA Administrator the loan making functions now in the hands of the Secretary of Agriculture.

I hope that in the interest of the future effectiveness of the REA the Senate will override the President's veto.

I think the Senator from Minnesota for yielding to me.

The PRESIDING OFFICER. Does the Senator from Minnesota desire to use further of the time remaining under his control?

Mr. HUMPHREY. Mr. President, I suggest that those who favor supporting the veto now use the time available to them.

Mr. DIRKSEN. Mr. President, how much time remains to our side?

Mr. HUMPHREY. Mr. President, let me ask how much time remains to our side.

The PRESIDING OFFICER. The Chair is advised that the proponents have 3 minutes remaining and the opponents have 3 minutes remaining.

Mr. DIRKSEN. Mr. President, I yield the remaining time under my control to the distinguished Senator from Vermont [Mr. AIKEN].

The PRESIDING OFFICER. The Senator from Vermont is recognized for 3 minutes.

Mr. AIKEN. Mr. President, I cannot vote to override the President's veto of this bill. The bill itself does nothing to improve the program of the REA. The bill violates the concepts of good government, by delegating authority to a subordinate official of the Department—in this case the Administrator of REA—and by giving the head of the Department no control over the action of such official, for whose acts he is otherwise responsible.

If the veto were overridden, such action would be interpreted by the country as simply an expression of malice toward the Secretary of Agriculture. I do not like such tactics at all.

I realize that the Secretary has antagonized many persons, and that some are justly provoked with him. But I do not like the idea of getting even in this way.

Mr. President, congressional action to override this veto would not hurt Secretary Benson in the least. On the contrary, it probably would enhance his stature in the eyes of the public, who will recognize this measure for what it is.

But congressional action to override the veto of this bill would hurt the REA and the work of that great organization, and would arouse in the minds of the people a suspicion that perhaps the promoters of this bill are not particularly interested in the extension of light and power to the rural areas, but are more interested in getting even with an administration which they disapprove.

Mr. President, I hope Members who are so ardently supporting the bill and are so ardently advocating overriding the veto of the President will have equal ardor when it comes to protecting the just rights of the REA and the provisions which are necessary if it is to continue the good work it has done up to now.

So, Mr. President, I think Senators who vote to override the veto will not be proud of themselves; and I do not believe the people of the country will be proud of them, either. Instead of help-

ing the REA, an overriding of the veto would be bound to hurt the work of that great organization.

The PRESIDING OFFICER. All time under the control of the proponents has been consumed.

The opponents have 3 minutes remaining under their control.

Mr. HUMPHREY. Mr. President, I yield to myself the time remaining under my control.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Mr. HUMPHREY. Mr. President, I should like to have the attention of my colleagues during the 3 remaining minutes available on this question.

I deeply regret that this question has been turned into a sort of popularity contest as between the Secretary of Agriculture, on the one hand, and good administration, on the other.

Of course there are differences of opinion as between the Secretary of Agriculture and many Members of the Senate. The Secretary of Agriculture expresses his opinion with deep conviction and, at times, with a very sharp and pointed pen; and some of us express our views with equally deep conviction and with sharp words.

Mr. President, in this case we are talking about the Reorganization Act of 1953 and what has been done under it, in violation of an agreement relating to that act. In that connection, I call attention to pages 24 and 25 of the hearings, where we find that the distinguished Senator from Georgia [Mr. RUSSELL] pointed out the very possibilities we now face and where, let me add, the distinguished Senator from New Mexico [Mr. ANDERSON] likewise said:

It requires the Secretary, to the extent practicable, to give appropriate advance public notice of delegations of functions, and to afford opportunity for interested persons or groups to place their views before the Department. In view of this very clear mandate, it would be most unrealistic to think that any Secretary of Agriculture might disregard the will of Congress by using the "to the extent practicable" provision as an excuse to avoid the notice of hearings. Actually, hearings should generally be required. This is a sound provision which will insure careful consideration of any proposed transfers or delegations.

That was the interpretation which was given to the Reorganization Act; and the position taken by those Senators was taken in good faith.

So, Mr. President, in this case we are concerned with the question of good and proper administration. The issue now confronting us is not whether we are in favor of, or are opposed to, the President and his administration. The vote is entirely upon whether the Reorganization Plan No. 2 of 1953 was good legislation. A majority of this body did not think so in 1952, because the same proposed Act was presented then. They did think so after the election of 1953. But even then a substantial number of Senators were dubious. That substantial number later on were proven to be right.

Some of the most ardent advocates of responsible administration in the De-

partment of Agriculture raised a warning flag to us. I was one of those who voted with the Senator from Georgia [Mr. RUSSELL] and other Senators, with doubt as to the efficacy of Reorganization Plan No. 2 of 1953.

The time is at hand to correct the original wrong and to set the house in order.

The PRESIDING OFFICER. The time of the Senator from Minnesota has expired. All time allotted for the debate has expired.

Mr. DIRKSEN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The absence of a quorum has been suggested, and the clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Aiken	Gore	Monroney
Allott	Green	Morse
Anderson	Gruening	Morton
Bartlett	Hart	Moss
Beall	Hartke	Mundt
Bennett	Hayden	Murray
Bridges	Hennings	Muskie
Bush	Hickenlooper	Neuberger
Butler	Hill	Pastore
Byrd, W. Va.	Holland	Prouty
Cannon	Hruska	Proxmire
Capehart	Humphrey	Randolph
Carlson	Jackson	Robertson
Carroll	Javits	Russell
Case, N.J.	Johnson, Tex.	Saltonstall
Case, S. Dak.	Johnston, S.C.	Schoeppel
Chavez	Jordan	Scott
Church	Keating	Smathers
Clark	Kefauver	Smith
Cooper	Kennedy	Sparkman
Cotton	Kerr	Stennis
Curtis	Kuehel	Symington
Dirksen	Langer	Talmadge
Dodd	Lausche	Thurmond
Douglas	Long	Wiley
Dworshak	McCarthy	Williams, N.J.
Eastland	McClellan	Williams, Del.
Ellender	McGee	Yarborough
Engle	McNamara	Young, N. Dak.
Ervin	Magnuson	Young, Ohio
Fulbright	Mansfield	
Goldwater	Martin	

The PRESIDING OFFICER. A quorum is present.

Mr. JOHNSON of Texas. Mr. President, will the Chair state the question?

The PRESIDING OFFICER. The question is, Shall the bill, Senate bill 144, pass, the objections of the President of the United States to the contrary notwithstanding?

All time has been exhausted. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. ANDERSON (when his name was called). I have a pair with the senior Senator from Nevada [Mr. BIBLE] and the senior Senator from Wyoming [Mr. O'MAHONEY]. I am informed that if they were present and voting they would vote "yea." If I were at liberty to vote I would vote "nay." I therefore withhold my vote.

The rollcall was resumed and concluded.

Mr. MANSFIELD. I announce that the Senator from Virginia [Mr. BYRD] and the Senator from Wyoming [Mr. O'MAHONEY] are absent on official business.

I also announce that the Senator from Nevada [Mr. BIBLE] is absent because of a death in his family.

I further announce that the Senator from Delaware [Mr. FREAR] is absent because of illness.

The yeas and nays resulted—yeas 64, nays 29, as follows:

YEAS—64

Bartlett	Hayden	Moss
Byrd, W. Va.	Hennings	Mundt
Cannon	Hill	Murray
Carroll	Holland	Muskie
Case, S. Dak.	Humphrey	Neuberger
Chavez	Jackson	Pastore
Church	Johnson, Tex.	Proxmire
Clark	Johnston, S. C.	Randolph
Cooper	Jordan	Robertson
Curtis	Kefauver	Russell
Dodd	Kennedy	Smathers
Douglas	Kerr	Sparkman
Eastland	Langer	Stennis
Ellender	Long	Symington
Engle	McCarthy	Talmadge
Ervin	McClellan	Thurmond
Fulbright	McGee	Williams, N. J.
Gore	McNamara	Yarborough
Green	Magnuson	Young, N. Dak.
Gruening	Mansfield	Young, Ohio
Hart	Monroney	
Hartke	Morse	

NAYS—29

Aiken	Cotton	Martin
Allott	Dirksen	Morton
Beall	Dworschak	Prouty
Bennett	Goldwater	Saltonstall
Bridges	Hickenlooper	Schoeppel
Bush	Hruska	Scott
Butler	Javits	Smith
Capehart	Keating	Wiley
Carlson	Kuchel	Williams, Del.
Case, N. J.	Lausche	

NOT VOTING—5

Anderson	Byrd, Va.	O'Mahoney
Bible	Frear	

The PRESIDING OFFICER. On this vote, the yeas are 64, and the nays 29. Two-thirds of the Senators present and voting having voted in the affirmative, the bill, on reconsideration, is passed, the objections of the President of the United States to the contrary notwithstanding, and the Secretary will notify the House of Representatives.

Mr. HUMPHREY. Mr. President, as author of S. 144—the Humphrey-Price REA bill—I am extremely gratified by the Senate's decision to override the President's veto of this constructive legislation designed to protect REA cooperatives throughout the country.

The vote was a reassuring demonstration of the unity of the Democratic Party and its dedication to the best interests of agriculture. I want to express my appreciation for the close cooperation of the Majority Leader Senator LYNDON JOHNSON and chairmen of both the Senate Committee on Agriculture Senator ELLENDER and the Senate Committee on Government Operations Senator MCCLELLAN for all three were helpful in obtaining this overwhelming victory. I also wish to thank every Senator, Republican or Democrat, who voted to override.

I am confident similar action will now be taken by the House of Representatives, to enact this legislation into law.

Actually, it is a victory for good government—for the purpose of the bill was to protect REA loans against political manipulation, either by the present Secretary of Agriculture or any future Secretary of either party. It serves notice on this or any future administration that the legislative branch is not willing to let politically-appointed Cabinet members arbitrarily defy the intent of Congress in administering programs enacted by the Congress.

SECOND SUPPLEMENTAL APPROPRIATIONS, 1959

Mr. JOHNSON of Texas. Mr. President, I ask that the unfinished business be laid before the Senate.

The PRESIDING OFFICER. The Chair lays before the Senate the unfinished business, which will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 5916) making supplemental appropriations for the fiscal year ending June 30, 1959, and for other purposes.

Mr. JOHNSON of Texas. Mr. President, I am informed that the senior Senator from Oregon desires to make a personal statement. At the conclusion of the statement to be made by the Senator from Oregon, we expect to proceed with the consideration of the supplemental appropriation bill.

PERSONAL STATEMENT BY SENATOR MORSE

Mr. MORSE. Mr. President, I rise to a point of personal privilege.

I have in my hand a very interesting news release. I happen to be one of those politicians who can take it as well as dish it out. Whenever a politician reaches the point where he cannot laugh at himself, then he ought to get out of politics. I hope my colleagues who voted against me a few minutes ago will pardon my chuckle at their expense in view of their votes. I say that because not so soon did I expect that those of us who voted against the nomination of Clare Boothe Luce would be proved so right. We had pointed out in the debate her complete lack of tact and diplomacy and we have been proven right by this very interesting bit of news on the wires. It reads:

Mrs. Luce said in New York: "I am grateful for the overwhelming vote of confirmation in the Senate. We must now wait until the dirt settles. My difficulties, of course, go some years back and began when Senator WAYNE MORSE was kicked in the head by a horse."

[Laughter.]

Mr. President, I was confronted with that Republican smear all through my 1956 campaign. It came out by the reams. It was a whispering campaign with such a windy blow to it that it not only rustled the leaves of Oregon but, in some parts of the State, almost tore the sage brush up by its roots. The people of Oregon answered that smear by a large majority of votes for me against the hand-picked candidate of the President of the United States, who was taken right out of his Cabinet to "get me." They thought that this smear was one of the devices they could use. But, Mr. President, the people of Oregon passed upon my mental judgment.

I am not surprised that this slanderer, whose nomination the Senate confirmed only a few minutes ago, would make this kind of statement, because yesterday, for three hours and a half, I documented her record. This is an old, old pattern of emotional instability on the part of this slanderer; the same pattern which caused her to put on a scene in the Roman Parliament after her candidate for president of Italy was defeated. We

read the newspaper statements about her conduct, and the widespread comment at the time that if she had been a male ambassador, she would have been recalled.

But the issue is settled. I simply happen to be one of those persons, whether before the final bar of the court when the decision is rendered, or before the final bar of the U.S. Senate when a decision is rendered, who believe in government by law. I take the decision.

As chairman of the Subcommittee on American Republics Affairs of the Committee on Foreign Relations, I am much concerned about Mrs. Luce's relations with all the Latin-American countries, including Brazil.

The nomination of Mrs. Luce has been confirmed. I wish her well. So far as my subcommittee is concerned, on a strictly impersonal, professional relationship, she will have the full cooperation of my committee.

I promise to the Nation that each night in my prayers I will pray for God's guidance to this lady, so that for the welfare of our Nation she will be more stable in her ambassadorial duties than she was when she issued this press release this afternoon. [Applause.]

Mr. DIRKSEN. Mr. President, so long as we have great Senators like my friend, the Senator from Oregon, with a durable sense of humor, and so long as we have Ambassadors and Ambassadors with an equal sense of humor, I am confident that the whole continent will be safe for freedom. [Laughter.]

Mr. CAPEHART. Mr. President, I suspect that the able Senator from Oregon feels a little bit the way I felt when I was in Chicago in 1952. I lost, there; and, today, he has lost, here.

I remember that I was then a member of the Indiana delegation, and we were supporting Senator Taft for the Republican nomination for the Presidency. Back in those days, the able Senator from Oregon was a Republican. I remember that the Oregon delegation sat just ahead of the Indiana delegation. And I remember—

Mr. MORSE. Mr. President, will the Senator from Indiana yield for an interruption?

The PRESIDING OFFICER (Mr. McCARTHY in the chair). Does the Senator from Indiana yield to the Senator from Oregon?

Mr. CAPEHART. I ask the Senator from Oregon to wait a minute, please.

Mr. MORSE. Mr. President, let me say that that was after I was kicked by the horse. [Laughter.]

Mr. CAPEHART. Mr. President, I remember that the chairman of the Oregon delegation—the able Senator from Oregon [Mr. MORSE]—was in favor of the nomination of General Eisenhower; and I remember that the Oregon delegation wore big, high hats. In fact, I believe the one the able Senator from Oregon wore was perhaps a little higher than the others. At any rate, the Oregon delegation sat just ahead of the Indiana delegation; and we could not see anything over their high hats, particularly because the able Senator from Oregon and the other Oregon delegates kept jumping up and cheering and cheering and cheering for Eisenhower. And we

lost. I think one of the reasons why we lost was that we could not see what was going on—because of those high hats.

On that day I felt the same way, I am sure, that the able Senator from Oregon feels today, after having lost on the question of confirmation of the nomination of Mrs. Luce. I am sure his memory is not so short that he does not remember the days when he was a Republican. I recall the days when he used to attack former President Roosevelt; and I remember that in those days he had the most glowing things to say about General Eisenhower, in fact, more so than anyone else in the entire world, even to the point of jumping up and down and keeping the Indiana delegation at the convention, who favored Senator Taft, from seeing what was going on there.

Mr. MORSE. Mr. President, will the Senator from Indiana yield?

Mr. CAPEHART. I yield.

Mr. MORSE. I wish to thank the Senator from Indiana for relating that little bit of history; I am very appreciative of his action. It shows that I have the kind of mind that can change when I find out what the facts are. [Laughter.]

Mr. CAPEHART. But, Mr. President, I am not too certain that I can agree with the able Senator from Oregon. [Laughter.]

Mr. LAUSCHE. Mr. President, I regret very much that I cannot look upon this incident with the lightness with which it has been generally regarded. To me, it is a matter of gravity; and I do not contemplate letting the statement go unchallenged.

I voted in favor of confirmation of the nomination of Mrs. Luce. I did so on the basis that she was cleared by the Senate in 1953; and after she had been cleared by the Senate in 1953, I did not feel that the Senate would be justified in making a search now into what happened prior to 1953.

I never doubted the sincerity of purpose of the Senator from Oregon [Mr. MORSE]; and I felt that, as a Senator—and I am certain that my colleagues feel the same way—he had a right and duty to express his honest views.

When the vote was taken, I voted in favor of confirmation of the nomination of Mrs. Luce.

But, Mr. President, I think the statement she made following the Senate's confirmation of her nomination indicates an absence of rationality so serious that if she had made such a statement before the vote was taken, I would not have voted in her favor. Certainly one who makes a statement which implies what her statement did violate every precept of propriety. Somewhere in the Bible it is written that one should beware of making statements of that character in regard to any person.

So, despite the power of this lady, I do not think the Senate can stand idly by and can consider this incident lightly.

In the Foreign Relations Committee, the Senator from Oregon stated that this matter is of grave importance. He said "I realize the power of this lady." I said to him, "WAYNE, there will not be the audacity to use that power to harm you." I regret to say that today there are evi-

dences that that is what is contemplated.

I disagreed with the Senator from Oregon. But I would not be true to myself if I remained silent after the occurrence of this incident. If the nomination of Mrs. Luce were now before the Senate, I would vote against confirmation.

Mr. YARBOROUGH. Mr. President, I wish to commend the distinguished senior Senator from Ohio [Mr. LAUSCHE] for having stated so well what I think many of us on the floor of the Senate feel at this time.

I am among the Senators who voted in favor of confirmation of the nomination of Mrs. Luce. But I wish to commend the Senators who showed the good judgment of voting against confirmation of her nomination.

I had hoped that after her intemperate statements in 1952—which, after all, were made in the heat of a political campaign—and after her experience in Italy, where she served as the representative of our nation to that great nation, she would have obtained enough judgment not to engage in intemperate remarks. But as we have learned today that experience has not profited her. We are sending to one of the largest nations in Latin America an Ambassador who is apparently more skilled in invective than in diplomacy.

I wish to pay tribute to the Senators who have had the courage to call this matter to the attention of the Senate.

Furthermore, if I now had the opportunity to do so, I would join the Senator from Ohio in voting with the group of Senators who voted against confirmation of the nomination of Mrs. Luce, and who did so because they believed that she had demonstrated her unfitness for ambassadorial service. If at this time I had a chance to vote on the question of confirmation of her nomination, I, too, would vote "nay."

Mr. McGEE subsequently said: Mr. President, I should like to inject at this point the question which was brought up by the distinguished Senator from Oregon. It seems to me that we in this body have an obligation not only to represent our own political following, not only the people of the United States, but we have an obligation to take a stand before the eyes of the world, because when an Ambassador or an Ambassador is appointed, he or she will speak for all the people of a united America, and that person should be chosen with great care.

Like the Senator from Texas [Mr. YARBOROUGH] I, as one who voted for the confirmation of Mrs. Luce, am somewhat reluctant to see the Senate dismiss this matter with so little thought and with such slight consideration.

This is not a matter for Democrats or for Republicans. It is a matter now for Americans. Our one hope, and that represented to us in the hearings, which I read carefully, was that, with all the mistakes of the past, the years had brought a maturity of judgment to the nominee. God knows, if ever in our history we ever needed maturity of judgment in these troubled hours of the world, it is now. And we are now being

asked to send to Brazil this lady who, on her first opportunity to illustrate her judgment on the confirmation of her nomination by this body makes the intemperate declaration which we heard as reported by the press.

I not only regret my vote, as my colleagues have likewise expressed their sentiments, but I urge that the proper authorities in this administration now give due weight to this intemperate remark and possibly reconsider the appointment of the nominee who it is now contemplated will go to Brazil.

What is to prevent this Ambassador from making the same kind of a comment in a release south of the border, so to speak? What is to prevent her touching off another kind of intemperate series of incidents such as those I noted published in her husband's magazine not many weeks ago?

For those reasons, I think the Senate would do well to heed the significance of what has happened. I applaud the Senator from Oregon for his gracious spirit of good humor and good sportsmanship. Mr. President, this is not a matter of political give and take, or a matter of good humor or sportsmanship, but it is a matter of concern to the people of the United States.

Mr. CHAVEZ. Mr. President, will the Senator yield?

Mr. McGEE. I yield.

Mr. CHAVEZ. I feel in my heart if Brazil had known that Mrs. Luce would make this kind of statement, Brazil would have notified the State Department she would not be received as Ambassador.

SECOND SUPPLEMENTAL APPROPRIATIONS, 1959

The Senate resumed the consideration of the bill (H.R. 5916) making supplemental appropriations for the fiscal year ending June 30, 1959, and for other purposes.

Mr. HAYDEN. Mr. President, the bill as reported to the Senate makes appropriations of \$2,820 million, which is an increase of \$162,600,000 over the House version of the bill, but is still \$80,750,000 under the budget estimates.

The bill contains an item of \$1,336 million for reimbursement to the Commodity Credit Corporation for costs of various farm programs.

It contains an item of \$200 million for the Development Loan Fund—an increase of \$100 million over the House version of the bill.

The bill contains, in title II, an item of \$414 million for increased pay costs. The total cost of increased pay is estimated to be \$1,059 million, including \$176 million for increased pay costs as a result of wage-board action. Much of the cost was absorbed or transferred, so it is not necessary to recommend appropriations for the full costs.

Some other major items in the bill are: Defense education activities, \$75,300,000; payments to and assistance for schools, \$44,600,000; grants for public assistance, \$151,560,000; Veterans' Administration costs, \$120,265,000; Department of Defense costs, \$188,329,500.

Digest of CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF
BUDGET AND FINANCE

(For Department
Staff Only)

CONTENTS

Issued April 30, 1959
For actions of April 29, 1959
86th-1st, No. 67

Air pollution.....9		
Appropriations.....8		
Buildings.....28		
Claims.....4		
Corn.....24		
Cotton.....22		
Dairy industry.....2,26		
Electrification.....1,23		
Exhibits.....27		
Fair trade.....25		
Foreign aid.....17		
Forestry.....18		
Lands.....3,19		
Legislative program.....20		
Milk.....12,20,29		
National flower.....6,31		
Natural resources.....15		
Personnel.....11		
Price support.....29		
REA loans.....1,23		
Reciprocal trade.....1		
Reclamation.....7,14,19,20		
Research.....13,20,24		
Retirement.....11		
Soil conservation.....21		
Surplus commodities.....13		
Tariffs.....1		
Trade fairs.....32		
Water compact.....10		
Water pollution.....16		
Wheat.....5,30		

HIGHLIGHTS: House subcommittee ordered reported wheat bill. Senate debated second supplemental appropriation bill. House agreed to consider veto of REA loan approval bill on Thursday. Rep. Johnson, Wisc., urged enactment of dairy income stabilization program.

HOUSE

1. ELECTRIFICATION. Received from the President the veto message on S. 144, to give the REA Administrator additional authority over the approval of loans, and agreed to consider it today, Apr. 30. pp. 6321-2

Rep. Lane criticized certain aspects of reciprocal trade, stated that American industry is being "undermined" because "an agency of the Federal Government does not have the authority under existing law to insist that the recipients of its loans shall 'Buy American,'" referred to an REA loan to a Texas cooperative, part of which money was used to buy a Swiss generator, and urged that tariffs be raised "for the protection of our imperilled industries." pp. 6397-8.

2. DAIRY INDUSTRY. Rep. Johnson, Wisc., criticized the Secretary for spending "\$5 for every \$1 spent by his predecessors" while "net farm income has fallen from \$15.3 billion in 1952 to \$13.2 billion in 1958," stated that the dairy farmer was "one of the lowest men on the farm income totem pole," and discussed his dairy marketing bill to "establish the support level of 90% of parity for butterfat and manufacturing milk," to establish "a system of marketing quotas," and to give the milk producers an opportunity to vote on acceptance of the plan. p. 6379

3. PUBLIC LAND. Received from Interior a proposed bill "to authorize the classification, segregation, and disposal of public lands chiefly valuable for urban and business purposes"; to the Interior and Insular Affairs Committee. p. 6399
4. CLAIMS. The Judiciary Committee reported with amendment H. R. 6000, to increase the limit for administrative settlement of claims against the U. S. under the tort claims procedure to \$3,000 (H. Rept. 323). p. 6399
5. WHEAT. The Daily Digest said "the Wheat Subcommittee of the Agriculture Committee met in executive session and ordered favorably reported to the full committee H. R. 6737 (amended), to amend the Agricultural Act of 1949, as amended, the Agricultural Adjustment Act of 1938, as amended, and Public Law 74 (75th Cong.), as amended." p. D299
6. NATIONAL FLOWER. Rep. Price inserted a poem on the corn tassel and Rep. Rogers urged adoption of the carnation as the national flower. pp. 6383, 6394
7. RECLAMATION. This office has obtained, for reference and lending purposes, a few copies of a "committee print" of the House Committee on Interior and Insular Affairs, "Reclamation -- Accomplishments and Contributions." The publication was prepared by the Legislative Reference Service, at the request of several committee members, for the specific purpose of setting forth the favorable aspects of the reclamation program. The introduction states: "It presents a factual account of the achievements and contributions of the Federal reclamation program, including its history and background; physical accomplishments; contributions to the local, western, and national economies; feasibility including costs and repayment; cooperation and coordination with local, State, and other Federal agencies; and a comparison of the reclamation program with other Federal public works programs."

SENATE

8. SECOND SUPPLEMENTAL APPROPRIATION BILL. Continued debate on this bill, H. R. 5916. No action was taken on items affecting this Department. pp. 6276-81, 6282-6, 6292-3, 6305-11
9. AIR POLLUTION. Passed with amendments S. 441, to continue for four years, until July 1, 1964, the Federal air-pollution control law. pp. 6264-7
10. WATER COMPACT. Passed without amendment S. 548, to grant the consent of Congress to a Great Lakes Basin Compact for the development and use of the water of the basin. pp. 6273-5
11. PERSONNEL. At the request of Sen. Engle, passed over S. 91 and H. R. 460, to limit to cases involving the national security the prohibition on payment of retirement annuities to Federal employees. pp. 6262, 6268
12. MILK. At the request of Sen. Engle, passed over S. 1289, to increase and extend the special milk program for children. p. 6269
At the request of Sen. Engle, passed over S. 753, to authorize cooperative associations of milk producers to bargain with purchasers singly or in groups. pp. 6269, 6276
13. RESEARCH; SURPLUS COMMODITIES. At the request of Sen. Keating, passed over S. 690, to provide for research on increased use of agricultural products for industrial purposes. p. 6269

House of Representatives

WEDNESDAY, APRIL 29, 1959

The House met at 12 o'clock noon.

The Reverend Alonzo Jordan, chaplain, North Carolina House of Representatives, Raleigh, N.C., offered the following prayer:

Our Heavenly Father, in the quietness of these moments, we come to talk with Thee just now. Wilt Thou behold us with favor because we come to Thee with gratitude in our hearts, thanking Thee for Thy blessings, for Thy love, and for Thy mercy.

We come praying, our Father, for Thy blessings upon these Representatives, the servants of the people, and we pray that Thou wouldst be with them in their work. And may we all this morning be Thy servants. May we be like the prophet of old, Samuel, who, as a child when he heard Thy voice said:

"Speak, Lord, for Thy servant heareth."

Bless our work today and go with us through the day. And may we so work this day and all the days of our lives that when we come to the twilight hour and darkness has fallen upon the day of life, may we not be afraid, but may Thy voice be sweet and clear to us, and may we hear, "Thou hast been faithful over a few things; I will make thee ruler over many things, and enter thou into the joy of thy love."

For we pray our prayer in our blessed Saviour's name and for His sake. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. McGown, one of its clerks, announced that the Senate had passed a resolution, as follows:

SENATE RESOLUTION 112

Resolved, That the Senate has heard with profound sorrow the announcement of the death of the Honorable JAMES G. POLK, late a Representative from the State of Ohio.

Resolved, That a committee of two Senators be appointed by the Presiding Officer to join the committee appointed on the part of the House of Representatives to attend the funeral of the deceased Representative.

Resolved, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

Resolved, That as a further mark of respect to the memory of the deceased the Senate do now adjourn until 11 antemeridian tomorrow.

The message also announced that the Senate having proceeded to reconsider the bill (S. 144) entitled "An act to modify Reorganization Plan No. II of 1939

and Reorganization Plan No. 2 of 1953", returned by the President of the United States to the Senate, in which it originated, with his objections, and passed by the Senate on a reconsideration of the same, it was

Resolved, That the said bill pass, two-thirds of the Senators present having voted in the affirmative.

The message also announced that the Vice President has appointed Mr. JOHNSTON of South Carolina and Mr. CARLSON members of the joint select committee on the part of the Senate, as provided for in the act of August 5, 1939, entitled "An act to provide for the disposition of certain records of the U.S. Government," for the disposition of executive papers referred to in the report of the Archivist of the United States numbered 59-9.

MODIFICATION OF REORGANIZATION PLAN NO. II OF 1939 AND REORGANIZATION PLAN NO. 2 OF 1953

The SPEAKER laid before the House the following message from the Senate:

IN THE SENATE OF THE UNITED STATES,

April 28 (legislative day April 27), 1959.

The Senate having proceeded to reconsider the bill (S. 144) entitled "An act to modify Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953," returned by the President of the United States to the Senate, in which it originated, with his objections, and passed by the Senate on a reconsideration of the same, it was

Resolved, That the said bill pass, two-thirds of the Senators present having voted in the affirmative."

Attest:

FELTON M. JOHNSTON,
Secretary.

MODIFICATION OF REORGANIZATION PLAN NO. II OF 1939 AND REORGANIZATION PLAN NO. 2 OF 1953—VETO MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

The SPEAKER laid before the House the following veto message from the President of the United States:

To the Senate of the United States:

I return herewith, without my approval, S. 144, "An act to modify Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953."

The bill provides that, in the approval and disapproval of loans, the Administrator of the Rural Electrification Administration (REA) shall not be subject to the supervision, direction, or other control of the Secretary of Agriculture. In all other respects the functions and activities of the REA would be exercised

within the Department of Agriculture under the general direction and supervision of the Secretary.

Were S. 144 to become law it would mark a major retreat from sound administrative policy and practice. Twenty years ago the REA, then an independent agency, was by reorganization plan placed within the Department of Agriculture and under the general direction and supervision of the Secretary. The President, in his message transmitting Reorganization Plan No. II of 1939, said that the proposed reorganization was for the "sole purpose of improving the administrative management of the executive branch."

That action of 20 years ago accords entirely with the later finding of the first Commission on Organization of the Executive Branch that: "There must be a clear line of authority reaching down through every step of the organization and no subordinate should have authority independent of that of his superior."

Because S. 144 violates this sound injunction I am compelled to disapprove it.

Moreover, there is nothing in the recent history of the REA which affords any basis for concluding that the best interests of the agency or the public would be served by removing the Administrator's loan-making authority from the general direction and supervision of the Secretary of Agriculture.

The REA since its inception has moved steadily in the accomplishment of its mission. When the agency was established, only a small percentage of the Nation's farms had central station electric service. Today 96 percent of our farmers have such service and about one-half increase has been provided by REA financed facilities.

In the past 6 years the REA financed systems have made their greatest progress. Loans of more than a billion dollars have been made in this period, nearly half as much as was loaned by the agency in the previous 17½ years of its existence. Power sales have more than doubled since 1952, loan delinquencies have been reduced to the vanishing point and the net worth of electric borrowers has more than tripled. Plant investment for these systems has more than doubled in the past decade. The REA telephone loan program, authorized in 1949, has resulted in loan approvals which now total approximately \$500 million and modern dial telephone service is rapidly being extended to the Nation's rural areas.

The REA has been working well and progressing efficiently under the existing administrative arrangements. The change in those arrangements proposed

by S. 144 would be contrary to the public interest.

DWIGHT D. EISENHOWER.
THE WHITE HOUSE, April 27, 1959.

The SPEAKER. The objections of the President will be spread at large upon the Journal.

Mr. McCORMACK. Mr. Speaker, I move that further consideration of the President's message be postponed until tomorrow.

The motion was agreed to.

HOOR OF MEETING TOMORROW

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

COMMITTEE ON BANKING AND CURRENCY

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the Committee on Banking and Currency may sit during general debate today.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

COMMITTEE ON LABOR STANDARDS AND COMMITTEE ON LABOR-MANAGEMENT

Mr. LANDRUM. Mr. Speaker, I ask unanimous consent that the Committee on Labor Standards and the Committee on Labor-Management, sitting as a joint committee, have permission to sit this afternoon during general debate.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

WE NEED IMMEDIATE ACTION ON THE HOUSING BILL

(Mr. PORTER asked and was given permission to extend his remarks at this point in the Record.)

Mr. PORTER. Mr. Speaker, since February 27, 1959, the housing bill has been locked up in the rules committee. On Thursday, April 16, after hearings on the bill, S. 57, a tie vote in the committee denied a rule on this important legislation. I was glad to hear that the Speaker stated that the tie had been broken in favor of the bill.

The housing bill is important to our Nation's economy. Every day's delay on this legislation is harmful. The bill means jobs for unemployed workmen in our country. It means improved college housing. It means better homes, fewer slums and an increased gross national product.

This week I receive another letter urging that the housing bill be brought to the floor for action. I have received many such letters.

This letter came from Dr. O. Meredith Wilson, president of the University of Oregon in Eugene.

Dr. Wilson writes, in part:

We have been disturbed by discovery that the Rules Committee of the House of Representatives has refused to clear the college housing bill for consideration.

This university, with other institutions in the State system of higher education here in Oregon, has made application for housing loans under the bill. We are also aware of the fact that many of our fellow institutions throughout the country have been dependent upon the housing bill much more directly than we. In our judgment, it is one of the ways in which the Federal Government can help education without any threat to local autonomy and with considerable help for the development of schools during a period of rapid expansion.

Dr. Wilson urges the earliest possible action and so do I.

CALL OF THE HOUSE

Mr. SILER. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 31]

Andersen,	Davis, Tenn.	Miller, N.Y.
Minn.	Diggs	Perkins
Ashley	Downing	Randall
Barry	Glenn	Ray
Bonner	Hoffman, Mich.	Rivers, S.C.
Brewster	Holifield	Roberts
Buckley	Jensen	Tollefson
Bush	Kilburn	Westland
Carter	King, Calif.	Whitten
Casey	McMillan	
Cooley	McSweeney	

The SPEAKER. On this rollcall 400 Members answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

CORRECTION OF ROLL CALL

Mr. MEADER. Mr. Speaker, on rollcall No. 30 I am incorrectly shown as not having voted. I was present and voted for the bill and I ask unanimous consent that the permanent Record be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

REREFERENCE OF CERTAIN BILLS

Mr. TEAGUE of Texas. Mr. Speaker, I ask unanimous consent that the bills H.R. 3244 and H.R. 3991 for the relief of Harold N. Ward be rereferred from the Committee on Veterans' Affairs to the Committee on the Judiciary.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

AMENDING RAILROAD RETIREMENT ACT OF 1937, THE RAILROAD RETIREMENT TAX ACT, AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Mr. MADDEN. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 248 and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 5610) to amend the Railroad Retirement Act of 1937, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, so as to provide increases in benefits, and for other purposes. After general debate, which shall be confined to the bill, and shall continue not to exceed four hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Interstate and Foreign Commerce, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. MADDEN. Mr. Speaker, I yield myself such time as I may consume.

(Mr. MADDEN asked and was given permission to revise and extend his remarks.)

Mr. MADDEN. Mr. Speaker, H.R. 5610 is of direct and in many cases of vital importance to some 2 million of our fellow citizens and their families. These include railroad men and women of America, actively employed by railroads and also the retired and unemployed. These people have been patiently waiting for Congress to act on this legislation for several years.

The high cost of living and inflation has been devastating on the retired citizen during the last few years. The unemployed railroad workers, whether permanent or temporary, has been shut out of the market for most of life's ordinary conveniences by reason of conditions beyond his or her control.

During the 85th session of Congress, the railroad retirement legislation was postponed and inexcusably neglected. A great number of our Members constantly fought to secure favorable action on railroad retirement legislation but to no avail. The time has finally arrived for the Congress to act.

The purpose of this legislation is, generally speaking, to strengthen and place on a sound self-supporting basis the railroad retirement and the railroad unemployment insurance system.

Each Member of the House should acquaint himself with all the provisions of H.R. 5610. The bill has outstanding merits and it also contains several provisions which are highly detrimental to the railroad workers and their families.

The most important provisions of H.R. 5610, as approved by a majority of the Committee on Interstate and Foreign Commerce, are these:

April 30, 1951

legislation is necessary the Committee will expect the Department to make appropriate recommendations to Congress. The Committee has in mind Mexican farm labor, but also, and more especially, domestic migratory labor. It is unthinkable that American citizens should not be afforded at least as much protection by their Government as it gives to Mexican farm laborers."

Federally impacted areas. "The Committee recognizes that these school districts have planned the financing of their school systems with the expectation that they would receive these funds. Thus, to make reductions now would be unfair and would certainly disrupt many educational programs. However, it is also the Committee's belief that serious consideration should be given the basic legislation with a view to possible revision to remove from eligibility, or considerably reduce the entitlements of school districts in areas where it is highly questionable that the Federal activities have an adverse effect on the financing of the school system. The Committee has in mind areas such as those around Washington, D. C., where children of parents who work on Federal property but pay local taxes that support the school system, just the same as do their neighbors who do not work on Federal property, are none-the-less included in the count of children for which Federal payments under these two programs are made."

3. ELECTRIFICATION. By a vote of 280 to 146, sustained the President's veto of S. 144, to give the REA Administrator additional authority over the approval of loans. pp. 6488-95
4. ATOMIC ENERGY. Rep. Holifield announced that the Special Subcommittee on Atomic Energy is planning hearings May 5 through 8 on the problem of radioactive fallout from nuclear weapons tests, and inserted several statements regarding the matter. pp. 6533-5
5. CREDIT UNIONS. Rep. Patman reviewed the provisions of his bill, H. R. 5777, to modernize the Federal Credit Union Act. p. 6547
6. REPORTS. Received the annual report of HEW for 1958. p. 6551'
7. PUBLIC LANDS. Received from Interior a proposed bill "to facilitate the administration of the public lands"; to Interior and Insular Affairs Committee. p. 6551
8. SMALL BUSINESS. Received from the Small Business Administration a proposed bill, "Small Business Act Amendments of 1959"; to Banking and Currency Committee. p. 6551
9. LEGISLATIVE PROGRAM. Rep. McCormack announced that the Consent Calendar will be called Mon., May 4. pp. 6529-30
10. ADJOURNED until Mon., May 4. p. 6551

ITEMS IN APPENDIX

1. FAMILY FARMS. Sen. Johnson stated that "sometimes the small farmer feels that current policies are aimed, not so much at eliminating surpluses, as at eliminating small farms," and inserted two editorials which suggest that "our current problems began when so many small operators were driven off the land." p. A3579

22. RURAL DEVELOPMENT. Sen. Thurmond inserted an article, "Rural Development in the New South." p. A3588
23. SURPLUS COMMODITIES. Extension of remarks of Sen. Martin stating that Chas. B. Shuman, American Farm Bureau Federation," presented evidence that the Soviet Union was using wheat, some of which originated on U. S. farms, to continue its destructive economic warfare," and inserting an article commenting on Mr. Shuman's statement. p. A3601
24. ELECTRIFICATION. Extension of remarks of Rep. Santangelo commending REA programs and discussing the development of electrification in Puerto Rico under REA. pp. A3608-9, A3617-9
25. WILD HORSES. Rep. Baring inserted a letter urging enactment of H. R. 2725, to prohibit the use of aircraft or motor vehicles to hunt certain wild horses or burros on land belonging to the U. S. pp. A3621-3
26. BUDGET. Rep. Rhodes inserted an editorial, "Budget Director's Timetable," which includes excerpts from an address by Maurice H. Stans, Director of the Bureau of the Budget. pp. A3622-3
27. FOOD-FOR-PEACE. Extension of remarks of Rep. Karth stating that it is refreshing to know that "we are beginning to see the enormous use and value of our food resources -- that it is a gift to be used for man; not for the purpose of rotting in food storage tanks," and inserting an interview with Sen. Humphrey, "Food for Peace -- Our Miracle Weapon." pp. A3626-7
28. POULTRY. Rep. Harrison, Va., stated that "the great poultry industry is in trouble," and inserted an editorial, "The Great Broiler Dilemma." pp. A3627-8
29. FOREST PRODUCTS. Rep. Ullman inserted an article, "First Lumber Cut in Oregon Country in 1827," pertaining to the history of Oregon's lumber production. p. A3634
30. PERSONNEL. Rep. Murray inserted the testimony of Lloyd Wright, chairman of the former Commission on Government Security, before the House Post Office and Civil Service Committee favoring legislation to provide for the suspension of Federal employees in the interest of national security. pp. A3639-40

BILLS INTRODUCED

31. PERSONNEL. S. 1843, by Sen. Johnston, S. Car., to establish a system for the classification and compensation of scientific and professional positions in the Federal Government; to Post Office and Civil Service Committee.
S. 1844, by Sen. Johnston, S. Car., (by request) to provide certain survivors annuities payable from the civil service retirement and disability fund; to Post Office and Civil Service Committee.
32. PATENTS. S. 1845, by Sen. Johnston, S. Car., (by request) to amend title 35 of the United States Code relating to patents; to Post Office and Civil Service Committee.
33. PROPERTY. S. 1846, by Sen. Humphrey (for himself and others), to facilitate the discovery and recovery by the States of unclaimed personal property in the custody of Federal agencies; to Government Operations Committee. Remarks of Sen. Humphrey. pp. 6408-10

House of Representatives

THURSDAY, APRIL 30, 1959

The House met at 11 o'clock a.m.
Rev. James Pickett Wesberry, D.D., LL.D., pastor of the Morningside Baptist Church, Atlanta, Ga., offered the following prayer:

God is our refuge and strength, a very present help in trouble.—Psalm 46: 1.

On the threshold of another day in Congress, O God, we approach Thy throne in deep humility of spirit. Deeply conscious of our insufficiency we cast ourselves upon Thine all-sufficiency. Thou art our help in ages past, our hope for years to come, and our shelter from the stormy blast.

We feel deeply the sting and sorrow of our sins and most humbly confess them and beg Thy merciful forgiveness. Let the healing shadow of Thy cross rest upon us, giving us peace with everybody and everything.

How good Thou art to let us live in a land where the individual does not lose his halo. May everything we do be supplanted by the overwhelming desire to love, lift, and lighten. To this end we would rededicate our lives, our talents, our all, as instruments in Thy hands for the good and peace of the world.

Grant, we most reverently beseech Thee, to all who bear the burdens and responsibilities of Government, patience in tribulation, fervency in spirit, joy in hope, steadfastness in purpose, consistency in character, persistence in righteousness, and efficacy in prayer. Give us the able mind, the large heart, the magnanimous soul, the far vision, the warm, friendly, strong hand, and true wisdom to find our refuge and strength in Thee. Through Jesus Christ our Lord who strengtheneth us to do all things. Amen."

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate had passed, without amendment, bills and a joint resolution of the House of the following titles:

H.R. 7. An act to authorize the Secretary of Defense to lend certain Army, Navy, and Air Force equipment and provide certain services to the Boy Scouts of America for use at the Fifth National Jamboree of the Boy Scouts of America, and for other purposes;

H.R. 296. To authorize the Secretary of Defense to lend certain Army, Navy, and Air Force equipment and to provide transportation and other services to the Boy Scouts of America in connection with the World Jamboree of Boy Scouts to be held in the Philippines in 1959; and for other purposes;

H.R. 1411. An act for the relief of T. V. Cashen;

H.R. 1453. An act for the relief of Mrs. Mathilde Ringoi;

H.R. 1462. An act for the relief of Logan Duff;

H.R. 1535. An act for the relief of Sister Mary Damion (Maria Saveria D'Amelio), Sister Maria Tarcisia (Maria Giovanna Fenuta), and Sister Mary Regina (Maria Lizzi);

H.R. 1691. An act for the relief of Oliver O. Newsome;

H.R. 1727. An act for the relief of Dimitrios Kondoleon (also known as James Kondolious);

H.R. 2063. An Act for the relief of Otis Parks, W. B. Dunbar, and J. C. Dickey;

H.R. 2099. An act to provide for a posthumous cast award in recognition of the scientific contributions in the field of electronic ordnance made by the late Paul M. Tedder;

H.R. 2237. An act to amend Chapter 13—Wage Earners' Plans—of the Bankruptcy Act;

H.R. 2281. An act to provide for the payment of relocation expenses to Milo G. and Patricia Wingard;

H.R. 2395. An act for the relief of the Sterilon Corp.

H.R. 2603. An act for the relief of the American Hydrotherm Corp.;

H.R. 2949. An act for the relief of Lois K. Alexander;

H.R. 2975. An act to validate payments of certain quarters allowances made in good faith, and pursuant to agreements by authorized officials, to employees of the Department of the Navy, but which were subsequently determined to be inconsistent with applicable regulations;

H.R. 3095. An act for the relief of Hilary W. Jenkins, Jr.;

H.R. 3939. An act for the relief of Virginia E. Speer;

H.R. 4121. An act for the relief of certain members of the Armed Forces of the United States, or their survivors, who were captured and held as prisoners of war in the Korean hostilities;

H.R. 4314. An act for the relief of Samuel Abraham, John A. Carroll, Forrest E. Robinson, Thomas J. Sawyers, Jack Simon, and David N. Wilson;

H.R. 4615. An act to relieve certain members and former members of the naval service of inability to reimburse the United States for the value of transportation requests erroneously furnished to them by the United States, and for other purposes;

H.R. 4913. An act to amend the National Aeronautics and Space Act of 1958 to authorize the National Aeronautics and Space Administration to lease buildings in the District of Columbia for its use; and

H.J. Res. 301. Joint resolution providing for printing copies of "Cannon's Procedure in the House of Representatives."

The message also announced that the Senate had passed bills, a joint resolution, and concurrent resolutions of the following titles, in which the concurrence of the House is requested:

S. 29. An act for the relief of Magda Kusen Canjuga;

S. 33. An act for the relief of Bertha Glickmann;

S. 114. An act to provide for equal treatment of all State-owned hydroelectric power projects with respect to the taking over of such projects by the United States;

S. 178. An act for the relief of Wong Bick Quon (Maria Wong);

S. 181. An act for the relief of Mary (Marija) Grom;

S. 182. An act for the relief of Yong Chul Jurgens;

S. 199. An act for the relief of Stanislaw Siedlecka (Rejman);

S. 219. An act to provide for the construction of a fireproof annex building for the use of the Government Printing Office, and for other purposes;

S. 245. An act for the relief of Umeko Parker;

S. 334. An act for the relief of Hilda M. Humpole Goldschmidt;

S. 441. An act to extend the duration of the Federal air pollution control law, and for other purposes;

S. 498. An act to extend the life of the Alaska International Rail and Highway Commission, and to make a change in the membership of such Commission;

S. 524. An act for the relief of Giovanni Malara;

S. 548. An act granting the consent of Congress to a Great Lakes Basin Compact, and for other purposes;

S. 587. An act to provide for the advancement of Capt. Edward J. Steichen, U.S. Naval Reserve (retired), to the grade of rear admiral on the Naval Reserve retired list;

S. 593. An act for the relief of Angelinas Cuacos Steinberg;

S. 601. An act to authorize and provide for the construction of the Bardwell Reservoir;

S. 611. An act for the relief of Harry H. Nakamura;

S. 625. An act for the relief of Sophie Stankus also known as Sister Saint Ignace;

S. 626. An act for the relief of Maria Wolf-ram;

S. 843. An act for the relief of Ursula Gewinner;

S. 848. An act for the relief of Petar Tihoevic;

S. 940. An act for the relief of Anthony Louseses;

S. 1034. An act for the relief of Asae Nishimoto;

S. 1197. An act to amend the Atomic Energy Act of 1954, as amended;

S. 1228. An act to amend Public Law 85-590 to increase the authorization for appropriations to the Atomic Energy Commission in accordance with section 261 of the Atomic Energy Act of 1954, as amended, and for other purposes;

S. 1239. An act for the relief of Herbert Westermann.

S. 1315. An act for the incorporation of the Blue Star Mothers of America, Inc.;

S. 1368. An act to amend sections 503 and 504 of the Federal Aviation Act of 1958 to facilitate financing of new jet and turboprop aircraft;

S.J. Res. 16. Joint resolution to designate the lake to be formed by the waters impounded by the Dickinson Dam in the State of North Dakota as Edward Arthur Patterson Lake;

S. Con. Res. 21. Concurrent resolution favoring the suspension of deportation in the cases of certain aliens; and

S. Con. Res. 22. Concurrent resolution to print additional copies of certain hearings on transportation problems in Maryland, Virginia, and the Washington metropolitan area.

CALL OF THE HOUSE

Mr. NATCHER. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently, no quorum is present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 33]

Alford	Diggs	Rodino
Bush	Dorn, N.Y.	Weaver
Carter	King, Utah	Westland
Celler		

The SPEAKER. On this rollcall 420 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

MODIFICATION OF REORGANIZATION PLAN NO. II OF 1939 AND REORGANIZATION PLAN NO. 2 OF 1953

The SPEAKER. The unfinished business is the further consideration of the veto of the President of the bill S. 144, to modify Reorganization Plan No. II of 1939 and Reorganization Plan No. 2 of 1953.

The question is, Will the House, on reconsideration, pass the bill, the objections of the President to the contrary notwithstanding?

The Chair recognizes the gentleman from Florida [Mr. FASCELL].

Mr. FASCELL. Mr. Speaker, every Member of this House understands the purpose of the legislation and the President's objections thereto as set forth in the veto message. The issues are clear. We understand the reasons for the adoption of the legislation and the President's objections.

Mr. Speaker, the principle embodied in S. 144 has been under review by the Congress for 2 years. Extensive hearings have been held; many witnesses, both pro and con, have been heard; and otherwise extensive consideration has been given to this whole question.

All of us here are in complete agreement as to the necessity for and the benefits derived from the Rural Electrification Administration.

The purpose of the legislation and the reasons for its adoption have heretofore been thoroughly debated in this body. Therefore, I shall briefly summarize the issue.

The legislation restores to the Administrator of the Rural Electrification Administration the authority to approve or disapprove loans to be made under the Rural Electrification Act of 1936. There are other purposes, but this is the principal one.

After the adoption of Reorganization Plan No. 2 of 1953, wherein all functions and operations of the REA were transferred to the Secretary of Agriculture, the Secretary of Agriculture immediately redelegated all such functions and operations to the Administrator of the Rural Electrification Administration. So that for all practical purposes the Administrator of the REA was independent, particularly for loan-making purposes, except for general administrative supervision, just as he was prior to the adoption of the reorganization plan.

In 1957, however, the Secretary of Agriculture instituted a new policy whereby an official of his Department exercised a review of all applications for loans from the REA. This had the effect of restricting the authority of the Administrator to approve loans, since he could not grant final approval without this prior review. The purpose for such review was, as admitted, to have influence on the policies of such loan applications prior to the time that the loan was agreed to. These events were specifically brought out in the testimony of the committee and are alluded to in the original debate on the passage of the legislation, appearing on page 5236 of the CONGRESSIONAL RECORD for April 14, 1959.

This action taken by the Secretary of Agriculture was contrary to the understanding of many Members of Congress when the Reorganization Plan of 1953 was adopted. It was felt by them that this new procedure was a substantial change in the method of the operation of the REA, and that the Secretary of Agriculture, before instituting such a change, should have consulted with the Members of Congress, as he had agreed to do, at the time of the adoption of the 1953 Reorganization Plan.

In view of the admission of the Director of Agricultural Credit Services, that such procedure was a direct effort to influence policies on granting of a loan prior to its approval by the Administrator of REA, many of us felt that this was an unwarranted interference with the judgment and discretion of the Administrator of the Rural Electrification Administration and the operation of his office. Furthermore, such a concept conflicted directly with the original intent of Congress in establishing the office. The Administrator of the REA is a Presidential appointee with a 10-year term of office, to be confirmed by the Senate, so as to remove him somewhat from the direct pressures of political policies emanating from changes in administration.

It is obvious and was admitted in the testimony that other standards and criteria than those called for in the Rural Electrification Act were being applied to the loan applications, and that there is a superimposing on or a substituting of the judgment and decisions of the Administrator of the REA program, which had heretofore never been exercised.

The argument that the proposal in the legislation is bad administration in that the Secretary would have the responsibility for the operation of the REA as an organization within his Department and yet would not have the administrative and other control necessary for good management is without weight.

There are many other ways by which the administration can express its policies regarding this program.

As a matter of fact, the REA would be retained as an identifiable unit within the Department of Agriculture. The Secretary would have complete supervisory and administrative responsibility and jurisdiction. The Administrator of REA, however, would have the sole right to approve or deny a loan. The criteria, standards, the purposes and necessity for such loans are clearly set forth by Congress in the lawmaking and providing for such loans. There is no cogent reason for nonlegislative policy decisions.

Those who oppose this legislation choose to overlook the fact that the REA and its Administrator have in fact operated under the concepts proposed in this legislation from 1939 to 1957, during which time, all are agreed the operation was beneficial, accomplished its purposes, and without any undue administrative burden.

Therefore, the issue is simply that the Secretary of Agriculture in 1957 chose to change this method of operation and interject his policy decisions. The majority of both Houses of Congress do not agree with this. There is a direct issue concerning the intent of the Congress about a program of tremendous merit which has had outstanding success in bringing light and power to rural America since 1936.

While the issue is simple, the necessity of retaining congressional intent in the operation of this program is vital and urgent to its continued operation. The injection of administration policies into the loan operations of the REA in my opinion should be removed.

Therefore, Mr. Speaker, I urge that the bill, S. 144, be passed, the veto of the President to the contrary notwithstanding.

Mr. Speaker, I ask unanimous consent that I may revise and extend my remarks and that all other Members who desire to do so may have the same privilege.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. WEAVER. Mr. Speaker, it has not been often during my tenure in this House that I have chosen to set myself as opposed to the President of the United States. Such a decision is a hard one for a person of my political beliefs to make. Believe me, it was only after long and careful consideration, deep and concentrated thought, that I have made that decision.

With all due respect to the man who has so ably led this Nation through troublesome times, I believe that his veto of the Rural Electrification Administration reorganization program should not be sustained by the House.

Mr. Speaker, when the bill was first before the House I voted in favor of it. I did so then because, as a representative of a State which has grown greatly during the years in which REA has been in operation, I believe Rural Electrification has been largely responsible for this growth. I feel very strongly that the Administrator of this vital agency must have that kind of freedom of action

which will continue to benefit the rural areas of our Nation, unhindered by the stultifying effects of too much adverse departmental control.

I felt those reasons to be valid when I voted in favor of the bill in the House. I still feel them to be valid reasons, despite the action by the President.

In voting for the bill originally I knew I was taking a course that differed from that of the President. I did so after deep thought and consideration. I do not believe there have been developments which would alter that course.

Therefore, Mr. Speaker, I am in favor of overriding the President's veto of this bill, S. 114.

Mr. SANTANGELO. Mr. Speaker, I rise to support S. 144, which the President has vetoed and returned to this House. S. 144 has two purposes. First, to restore to the Administrator of the Rural Electrification Administration the authority to approve or disapprove loans to be made under the Rural Electrification Act of 1936. The second purpose is to establish in the Rural Electrification Administration functions which it had prior to the passage of Reorganization Plan No. 2 of 1953 and to modify the effect of that plan and the 1939 Plan so that the Secretary of Agriculture will not be able to distribute the functions of REA and diversify them to other departments or officials within the Department of Agriculture.

As a member of the House Appropriations Subcommittee on Agriculture, I have had the opportunity to study the administration of the Rural Electrification Program, not only in the United States, but also on the Island of Puerto Rico. Coming from the City of New York as I do, you may wonder what concern a New York Representative has with a program which deals ostensibly only with rural electrification. From my studies and observations, I have concluded, and it is a demonstrable fact, that rural electrification is intimately connected with the welfare and the economy of the industrial cities and the industrial areas. Electrification of rural areas and farms has given a tremendous impetus to the utilization of electrical appliances and diversified equipment. Since the initiation of the Rural Electrification Program, 96 percent of the farms in the United States have been electrified. On some farms, there are over 400 different methods and uses of electricity. As a consequence, farming has improved and electrical consumption has increased tremendously.

The farmers and residents of rural areas are using a great number of televisions, freezers, fridges, radios, small electrical appliances, and many other gadgets. They have utilized electrical instruments for the storage of their grains, for the breeding of their hogs, whereas formerly they could not complete or perform this type of work. The income to the farmer consequently has increased and their mode and manner of living has improved. With the electrification of every rural farm has developed an outlet for the purchase of goods sold in the cities and in the industrial areas. We, in our factories, have been able to manufacture more electrical

equipment, provide greater employment, and increase the total wages earned by the workers in the cities.

The rural electrification program is one of the outstanding social and economic developments in American agriculture in the 20th century. It has brought about profound changes in farm living and in the productive capacity of the American farm. With this development has come a profound change in industrial production. We in the cities have profited by the expansion of this system in the farms.

Some facts and statistics demonstrate the extent of this program. Since 1935, REA has made loans to 1,050 organizations for the provision of electric service in rural areas. The loans amount to \$3.8 billion. Of the borrowers, 950 are the farmer-owned type; 76 are the public-owned type; and 24 are electric power companies. The loans were made to finance service for more than 5 million consumers from 1.4 million miles of line. The typical REA electric borrowers serves about 3,700 consumers and operates approximately 1,300 miles of line. It has received \$2.9 million in loans.

Last year and this year, we learned that the Secretary of Agriculture and his advisers, and also the Republican administration, sought to revise the policy of making loans to rural cooperatives and groups. It believed, and does believe, that the 2-percent rate of interest which these cooperatives and organizations pay to the Rural Electrification Agency is too low and that these cooperatives should pay a higher rate of interest to private banks and other financial institutions. The policy, therefore, of the administration of the Secretary of Agriculture has been to discourage the expansion of REA loans and urge the borrowers to go to private lenders for their financing. The purpose of this bill is to make sure that if a borrowing group meets the standards set forth by the Rural Electrification Act and qualifies under those standards that they should not be denied loans because a Secretary of Agriculture or an administration, as a matter of policy, feels that the rate of interest is too low.

We are not concerned with filling the pockets of private lenders and financial overlords at the expense of the electrical consumers on the farms. There should be no politics in the administration of the rural electrification program. The Administrator of the program, Mr. David A. Hamil, has done a wonderful job. Only 1 out of 1,050 loans has defaulted in the payment of principal and interest, and even this one has, rearranged its program so that it is now financially straightened out to make its payments. Every one of the electrical borrowers has paid its principal and interest, totaling \$1.1 billion, including over \$140 million in advance of due dates. This excellent record is a high tribute to the integrity and efficiency of the people who organize and operate the REA financed systems.

At this point, I would like to put in the Record a statement uttered by Clyde T. Ellis, general manager of the National Rural Electric Cooperative Association:

President Eisenhower's veto of the Humphrey-Price bill (S. 144) further repudiates the concept of nonpolitical administration of REA and ought to be promptly overridden.

For a quarter of a century, REA loans have been made on the basis of merit according to technical standards established by the Rural Electrification Act. Two years ago, without consulting the Congress, the Secretary of Agriculture restricted the Administrator's authority and injected a new and secret standard for loans. Despite the fact that the REA Administrator is appointed by the President for a 10-year term of office, and is confirmed by the Senate, a political appointee in the Department of Agriculture was given veto powers over the Administrator's loan decisions.

S. 144 will correct this. It will do so simply by reestablishing what has worked with such great success in bringing light and power to rural America since 1935. It will provide for good administration that we know will work and it will remove the shadow of political influence in the loanmaking function of REA.

The President's veto repudiates the judgment as expressed by the overwhelming vote in both Houses of Congress that REA should again be a nonpolitical agency as before the Benson order. The President disregards the judgment of thousands of rural people serving on rural electric boards who in the last 2 years have expressed time and again the need for this legislation.

We hope the President's unfortunate action may be corrected by friends of REA, in both Houses of Congress and in both political parties, as they join in a vote overriding the veto. We are confident Congress will not allow political cronyism within the Administration to block this needed and deserving legislation.

While only 4 percent of the rural populations has not received electrification, still, according to American standards, 4 percent is too many. We must not permit a hostile administration or a Secretary of Agriculture, hostile to the purposes of the program to have the power to exercise a veto over loans which qualify and meet the standards set forth in the electrification program. I, therefore, feel it my duty to vote for the passage of the bill and override the veto of the President of the United States.

Mr. JOHNSON of Wisconsin. Mr. Speaker, I know I am speaking for the 35,000 rural electric co-op members in my district as well as for myself when I urge my colleagues to join me in voting to override the President's veto of the Humphrey-Price REA bill.

I feel that the rural electrification program has done more for rural America than any other Government program. When REA was started in 1935, only 11 percent of the Nation's farmers had central station electricity. Today 96 percent of the country's farms are electrified. The city folks have benefited, too. Over the years, farmers have spent better than \$12 billion for electrical equipment, thus providing a vast new market for the products of our factories.

Anyone who has watched the rural electrification movement as closely as I have knows of its many intangible benefits. Once a farm home has electricity, the standard of living for the family rises sharply. How can a person adequately describe the human benefits of indoor plumbing, of hot water, of refrigeration, of electric cooking, of radio

and television, and of just light itself?

Mr. Speaker, something as important to the welfare of this country as the rural electrification program should not be allowed to be made into a political football, to be kicked this way and that way until eventually it is destroyed. The Humphrey-Price bill would effectively end the practice instituted in 1957 by Agriculture Secretary Benson of having his political appointee pass judgment on loans before the REA Administrator can sign them. As I observed when this bill was before the House on April 15, I do not feel it is the intent of Congress to have a well-paid and competent Administrator of the REA program sitting on the knee of the Secretary of Agriculture, taking his orders and mouthing his words like a well-disciplined Charlie McCarthy. The fact that the Humphrey-Price bill passed both the House and Senate by wide margins shows Congress does not think the Secretary of Agriculture should have veto power over REA loans.

Two days ago, the Senate voted to override the Presidential veto on the Humphrey-Price bill. I hope the House will do likewise, and by so doing, will remove the threat of political interference with the REA loan program and restore the organizational setup that has worked so well and accomplished so much in the past 24 years.

Mr. SMITH of Iowa. Mr. Speaker, the President in his veto of S. 144 has rendered a body blow to the cause of Government reorganization. Many in Congress have voted for Government reorganization plans reluctantly with a desire for more efficient and economical government but also with the fear the executive department might abuse the power they were being given. The Presidential veto not only approved the abuse of power by Secretary Benson in the issuance of the secret order of 1957 in violation of his promise to Congress, but also the veto displayed an intent to continue to abuse reorganization powers granted regardless of the overwhelming vote of the Congress to stop such abuse. Congressmen who were formerly merely reluctant to support grants of power to reorganize departments are now fortified in their previously subdued opinion that such power should not be granted for fear it would be abused. The President's attitude has rendered a great disservice to the cause of Government reorganization.

Even if the veto is overridden, those of us who believe in reorganizing the Government to avoid duplication must expect tremendous resistance from now on based upon the fact that one administration not only abused the power given, but also would have continued the abuse but for the fact that the vote against it was 2 to 1 in both legislative bodies. Under these circumstances, it takes a margin of 2 to 1 to recoup what 51 percent granted.

Failure to override the veto would also encourage the administration to use every device the friends of REA have feared would be used to raise interest rate costs for REA expansions. This might be done by issuing orders that

loans will not be approved until the applicant can show it cannot acquire a loan elsewhere at a higher rate of interest. This is possible under the procedure established by the secret order of 1957 and such a procedure was used under the Watershed Act without the authority of Congress.

REA was given an assignment of providing power for that portion of the population which lives on farms and in communities of 1,500 or less where public power had not supplied them with electricity. It is recognized that high interest rates could not be paid and provide reasonable power rates to these customers, because the investment per customer was so high. All workers, manufacturers, and merchandisers of electrical equipment have benefited greatly from this new market and will continue to have such a market if these customers can secure more electric current for new electrical equipment.

The use of power granted under reorganization acts to raise interest rates and curtail such expansion would be against the public interest and would certainly further chill the attitudes of Members of the Congress toward Government reorganization. It is important to the cause of both REA and future Government reorganization to promote efficiency and economy that the veto be overridden.

Mr. DERWINSKI. Mr. Speaker, ladies and gentlemen of the House, I feel I would be avoiding my responsibility to the people of my district, and in fact the people throughout the Nation, if I did not call your attention to the obvious fact that the Humphrey-Price bill which the President has wisely vetoed, is, despite its technical nature, being used at the moment as a "Trojan Horse" to open the door for excessive spending programs to be placed upon the backs of the already over-burdened taxpayers of America.

I will not discuss the technical question involved further—and I will not discuss any of the problems or indulge in charges and countercharges relative to the REA. I leave that task to my distinguished colleagues who are experts in that field, and in particular, I leave the task of defending the administration's handling of the REA to my good friend, ANCHER NELSEN, Second Minnesota District.

The facts are that this bill is a political attack upon Secretary of State Benson. Representing an urban district, I feel, as I pointed out, my responsibility to the people whom I represent by showing them that this attempt to override the veto is merely designed to show the Democratic Party muscles. If successful on this technical issue, the spenders here in Congress will then attempt to regiment this majority vote in favor of the unnecessary extravagant spending proposals which if enacted would provide them political ammunition with which to run the next campaign, but would also bankrupt the country and the generations to follow.

The militant, constructive, progressive thinking Republican minority which is interested in the welfare of all citizens as taxpayers is all that is keeping the

wild spending, self-styled liberals from forcing through unrealistic Federal programs which would not alleviate any of the major problems of the day, but would push us further down the road to ruinous inflation.

I urge my colleagues to give these thoughts your serious consideration and vote to sustain the President in his veto of this bill.

Mr. NELSEN. Mr. Speaker, I rise in support of the President of the United States in his veto of this bill. I also rise in support of the farmers of the Nation because I am interested in the power that REA delivers to the farmer, not the politics that it will deliver to the politicians.

This measure seeks to amend the law under which I operated as Administrator of this program, and I wish to say that at no time and under no circumstances from any level was my operation interfered with. I am advised by the present administrator, Mr. Hamil, that never has his final decision been interfered with. Under these circumstances, to me it is obvious that the issue is a phoney one, and judging from the performance that we have seen, it obviously is intended to be used as a political issue without any intention of producing any benefits to the farmers of America.

The administration of Government is no different than a business. In this case the President has been selected by the people as the head of our Government; he in turn selects the cabinet officers, and they in turn have under their direction various departments of government and they are directly responsible for the performance of those departments. If they are responsible, they must have some authority. Without it they would be in no position to guide the programs under their direction.

This proposed measure develops into an administrative hybrid that says to the Secretary of Agriculture: "You are responsible for the REA program, but in certain phases of the program you have no authority." This could mean that at some future time you might have an unfriendly REA administrator and no one would be in a position to do anything about it.

The charges that have been made, on which this issue has been so cleverly built, are not borne out by the facts. The charge that the Secretary has denied approval of loans is false. The truth of the matter is, according to the testimony, that the Secretary has asked to be advised of some of the larger loans only. The facts are that in no instance has the Secretary denied approval of a single loan. There is only one way to prove these statements and that is to look at the record.

As previous testimony has indicated, under the Eisenhower administration, \$1,200,000,000 has been loaned in the electric program, as compared with \$2,600,000,000 in the previous 17½ years. The generation of power, a most important part of this program, finds the amazing record of 1,116,000 kilowatts of capacity installed throughout the Nation. This compares with 1,145,000 kilowatts of capacity in the previous 17½ years.

In the electric program we now find that the rate of delinquency is the lowest in history; we find the cost of power the lowest in history. All of these things are possible because of the fact that under the Eisenhower administration it has been the dedicated objective of the administrators, including myself, to cultivate a climate of cooperation in the utility field, whether it be power companies, municipalities, government, or co-op. The result has been that instead of controversy, we have cooperation, and in cooperating in this field, lower costs are bound to result.

In the administration of this program today there is approximately a half billion dollars of unadvanced funds, which simply means that the administrator has approved the loans, but they have not drawn these funds because they have an adequate supply of their own, but the money is in the bank waiting for them.

In the telephone program, the record has been still better. In 1953 when I became the Administrator, only 7,500 farm families were served with the RTA—telephone—program. Today over 800,000 are receiving telephone service because of this program.

So in adding the score, there can only be one conclusion, and that is that the Eisenhower administration has delivered to the farmer all that he needs, and some to spare. This program has served us in a manner that we can be proud of, and certainly no one has a justifiable complaint.

During the time that I served as administrator, out of Washington came the propaganda line of calamity and catastrophe, time after time. Farmers were told that things were about to collapse. They never did, and they never will if we take care of our housekeeping by careful management of the systems that we serve.

If the proponents of this measure believe what they say, they were voting for the wrong bill. In the other legislative body we had what was known as the Curtis bill. This measure would have set up REA as a separate agency, which as a matter of comparison put it almost at Cabinet level. Under such a process, the Administrator would be in charge, and no one would be in a position, except the President of the United States, to interfere in any way whatsoever.

The bill under consideration is also an administrative hybrid because it fails to do what it says it is attempting to do. It does not strip the Secretary of authority over loans, because by directive to the Legal Division, which is under the Secretary's Office, interference could easily be effected, and further damage could be done by the reshuffling of personnel, or by the disrupting of administrative policies. Moreover, by lack of cooperation on loan fund requests, a future Secretary could easily damage the program.

The conclusion is that you have, in effect, a situation that has not been corrected as far as the proposed legislation is concerned; and you have at the same time evidence to prove that there is no situation which needs to be corrected. It is therefore a doubly phony issue.

The REA program has great political appeal because of its tremendous value to the American farmer. The result is that, today, too many times it has become a political instrument for some of the politicians who wish to use it. The farmers of America deserve better treatment than they have received, and it is my intention to stand firmly by to see that they get it. I am convinced that the House of Representatives will sustain the President in his position.

Mr. REES of Kansas. Mr. Speaker, I regret the final vote on this proposed legislation has become a "political football" rather than a vote on the merits of legislation. Since this measure was considered in the House several days ago, I have gone over the record rather carefully. I do not find any serious maladministration or mismanagement of the REA by those presently assigned to administer the act. I have also been assured that the present policy will be continued by those in charge.

REA Administrator David L. Hamil, appointed by this administration, performed outstanding service. Mr. Hamil in his testimony before the committee said as follows:

In not a single instance has Secretary Benson or Director (of Agricultural Credit Services) Scott interfered in the discharge of my responsibilities as Administrator of REA. I make the loans.

According to the record and I quote again:

Electric loans approved since January 1, 1953, total \$1.2 billion, compared to \$2.6 billion loaned in the previous 17½ years of the program. More than 79 percent of all telephone loans have been made since January 1, 1953. Since January 1, 1953, REA electric borrowers have accumulated more than half of their current net worth. They have made 66 percent of their total principal repayments, and 60 percent of their total interest payments. On January 1, 1953, the number of delinquent REA electric borrowers was 45; in April 1959, the number had been reduced to one. The basic policies which guide REA were developed in the early days of the program, and they have been reaffirmed by successive REA Administrators.

The REA has made an outstanding record. The Director, the Regional Directors and State Directors, as well as all those in charge of administering the act have performed outstanding service. The record proves it. They are all to be commended for the splendid service they have rendered to the people whom they serve, and to the country.

I should also add there has been no activity more helpful to the farmer of this country than the service of the REA.

It seems to me in view of this record it is only fair that those in charge of this great service be given opportunity to carry on their splendid work in administering the REA. If there are complaints on the part of those who receive service from REA, I am sure the Members of Congress will be glad to see that the rights of REA membership are properly protected.

Mr. SCHWENGEL. Mr. Speaker, I take the floor today to talk briefly on reasons for sustaining the Presidential veto of S. 144.

The record will show that I voted for this legislation on the House floor recently. I did so because I thought a basic issue was involved and because I thought this would be one step in the direction of taking the REA entirely out of the Department of Agriculture. I would have much preferred voting for S. 75, the Curtis bill. This, the record shows, was defeated in the other House.

If the Presidential veto is sustained, and I now hope it is, I shall support any move in the future that will attain what I thought was the original objective of S. 144 or what is provided for in the Curtis bill and I sincerely hope that this matter would be given further consideration by the proper committee and by the Congress.

Mr. Speaker, until this morning I had reluctantly decided that I would vote to override the veto even though I feared that this whole proposition was fraught with partisan politics, and even though I also feared that this might be the first of a whole series of attempts to override Presidential vetoes this session. However, this morning I received a letter from Mr. Clyde Ellis, general manager of the National Rural Electric Cooperative Association and enclosed with the letter was a statement by Mr. Ellis on the Humphrey-Price bill which has caused me to change my mind. This letter and the enclosed statement have reaffirmed a suspicion that I have had for a long time and that is that Mr. Ellis unfortunately has been and is trying to gain advantages by unfair means.

He apparently, at times, has very little regard for the truth. Since the REA program has done so much good for such a large cross section of an important group in our farm communities and since the REA has such a fine record of achievement for the farm people, the things that they need and ask for could very well stand on this excellent record of service and achievement. An appeal to reason, to what is right and citing their true record of achievement, almost unparalleled in the history of mankind, should and could be their most potent weapon to get improvements needed by legislation. It should not be necessary to try to gain advantage by implying that certain people are unfriendly to the program, when in fact they are actually friendly, by implying that only one political party has the public welfare at heart in this regard and by allowing the publication facilities of this organization to be used in an attempt to gain unfair political advantage.

This morning I received the following statement by Clyde Ellis:

President Eisenhower's veto of the Humphrey-Price bill (S. 144) further repudiates the concept of nonpolitical administration of REA and ought to be promptly overridden.

For a quarter of a century, REA loans have been made on the basis of merit according to technical standards established by the Rural Electrification Act. Two years ago, without consulting the Congress, the Secretary of Agriculture restricted the Administrator's authority and injected a new and secret standard for loans. Despite the fact that the REA Administrator is appointed by

the President for a 10-year term of office, and is confirmed by the Senate, a political appointee in the Department of Agriculture was given veto powers over the Administrator's loan decisions.

S. 144 will correct this. It will do so simply by reestablishing what has worked with such great success in bringing light and power to rural America since 1935. It will provide for good administration that we know will work and it will remove the shadow of political influence in the loanmaking function of REA.

The President's veto repudiates the judgment as expressed by the overwhelming vote in both Houses of Congress that REA should again be a nonpolitical agency as before the Benson order. The President disregards the judgment of thousands of rural people serving on rural electric boards who, in the last 2 years have expressed time and again the need for this legislation.

We hope the President's unfortunate action may be corrected by friends of REA, in both Houses of Congress and in both political parties, as they join in a vote overriding the veto. We are confident Congress will not allow political cronyism within the administration to block this needed and deserving legislation.

There is only one implication that can be drawn from this and that is that during the last 5 or 6 years loans have not been made on standards previously adopted. My investigation shows conclusively that every loan application which has been submitted to the Rural Electrification Administration which meets the qualifications of the criteria set forth in the act and the rules and regulations of REA pursuant to the act which was in effect before 1952 have been approved subsequent to 1952. I hereby challenge Mr. Ellis to submit for the record one application that meets these criteria that has been filed that has not been approved. Mr. Ellis further says:

Two years ago without consulting the Congress the Secretary of Agriculture restricted the Administrator's authority and injected a new and secret standard for loans.

Obviously, if all of the loan applications that have been received by the Department of Agriculture which meet the criteria that was established prior to 1952 have been approved there could not be any truth in this assertion. Furthermore, on March 6, 1959, before the House Committee on Government Operations, REA Administrator David A. Hamil testified as follows:

In not a single instance has Secretary Benson or Director (of Agricultural Credit Services) Scott interfered in the discharge of my responsibilities as Administrator of REA. I make the loans.

The fact that in June 1957 it was suggested by the Secretary that loans in excess of \$500,000 and new telephone lines should be forwarded to the Director of Agricultural Credit Services for his information before final approval by the REA Administrator does not form the basis for any such assertion as was made by Mr. Ellis. You would think a charge such as Mr. Ellis has made would at least have the justification of some loans having been denied or delayed but a check shows that this is not the case.

Certainly the administration which has approved \$1.2 billion worth of electric loans since January 1, 1953, a period of approximately 5 years, when only \$2.6

billion were loaned in the previous 17½ years of the program makes such statements as Mr. Ellis' appear downright ridiculous. In fact, in my own district one of the largest single generating plants in Iowa was approved by the Administrator of REA on March 4, 1957. It was for the eastern Iowa light and power generating plant at Wilton Junction, Iowa.

The third sentence says:

Despite the fact that the REA Administrator is appointed by the President for a 10-year term of office and is confirmed by the Senate, a political appointee of the Department of Agriculture was given veto powers over the Administrator's loan decisions.

Here again there is the clear implication that there has been a change of policy in the Department and that a political appointee of the Department was given a veto power over the Administrator's loan decision. This is untrue and I challenge Mr. Ellis to present any evidence that it is true. The Secretary of Agriculture, has assured me of this fact in writing and I have the word of Mr. David A. Hamil, Administrator of REA, that Mr. Ellis' statement is untrue and furthermore that there has been no dictation whatsoever by anybody with respect to how he administers the law.

Mr. Ellis has charged the Eisenhower administration with an attempt to deliver the Nation's REA system "into the hands of Wall Street bankers." Mr. Ellis is reported in the Rural Electrification magazine March 1959, page 47, as having said:

That crowd is hellbent on handing us over to the Wall Street bankers and the Wall Street-controlled power companies and they're not going to rest until they do it.

It is typical of those who are guilty to try to throw the naive and unsuspecting off the track, by charging someone else with the guilt that is their own. Wall Street is a heinous devil to be held up to farmers throughout the country when you are trying to create fear, but Wall Street to Mr. Ellis appears to be a fine place to obtain money and enhance your own power when you can make a deal for your own personal benefit. For example, Mr. Ellis in the Rural Electrification magazine for January 1959 on page 4 explains how he proposes to establish a pooled reserve investment fund. This is all set forth in quite persuasive and proper terms. The tip to what is going on appears in the last paragraph as follows:

To date, we have received several formal proposals from trust companies and others for the handling of systems' reserve on a pooled basis.

Perhaps Mr. Ellis would like to come before a committee of the Congress and explain just what it was he was proposing to do with the Bankers Trust Co. of "Wall Street," New York in order to set up this reserve pool. The article does not point it out to the membership clearly, but nevertheless the idea set forth what Mr. Ellis proposed to do was to gain control of all of the reserves of all of the REAs which would amount to over \$300 million.

As further proof that there is no anti-REA feeling in the Agriculture Department I should like to point to the following report:

PROGRESS OF THE REA PROGRAMS SINCE 1952

Profound post-war changes in the character of rural America—including the growth of a large non-farm population, the increasing use of electricity for farm and home chores, and the development of new rural industries and processing plants—have greatly increased the demand for adequate and reliable electric service in rural areas. In addition, the growing interdependence of city and country has made modern dial telephone service a virtual necessity in rural America. Since 1952, the Rural Electrification Administration has steadily increased the tempo of its activities to help 985 active electric borrowers and 638 rural telephone systems to meet this continuously growing demand for their services.

LOAN NEEDS MET FULLY

Loans to rural electric systems approved during calendar year 1958 totaled \$213.8 million, bringing total electric loans approved since inception of the program to more than \$3.8 billion. About \$1.2 billion of this total has been made since January 1, 1953. Telephone loans reached the record high of \$102.9 million in calendar year 1958. More than 79 percent of all telephone loans and about 31 percent of all electric loans have been made since January 1, 1953.

EIGHT HUNDRED THOUSAND CONSUMERS ADDED IN 6 YEARS

Some 800,000 new consumers and 180,000 miles of line have been added to the systems of REA electric borrowers since January 1, 1953. The current rate of addition is more than 120,000 consumers a year. Among these new users, non-farm consumers outnumber farm consumers 3 to 1. Power sales to non-farm establishments now are greater than to farmers. Besides this growth in numbers, consumers are using more kilowatt hours of electricity each year. Annual consumption averaged 3,050 kilowatt-hours per consumer in 1953; in 1958, it was estimated at 4,450 kilowatt-hours. Power sales on systems financed by REA rose 10 percent over 1957 during calendar year 1958, reaching an estimated 21.7 billion kilowatt-hours.

MORE POWER ASSURED FOR RURAL CONSUMERS

Particular attention has been given to borrowers' needs for an expanding supply of power at low cost. REA has pressed the search for more economical means of power production and has assisted borrowers to obtain substantial savings in initial investment and operating costs through interconnection, joint operation, and more efficient generating units. In calendar year 1958, REA approved loans to provide 214,000 kilowatts of additional generating capacity. Installed capacity stood at nearly 1.3 million kilowatts on January 1, 1959.

During the first 17½ years of the REA electric program, loans provided for a generating capacity of 1,145,000 kilowatts. During the next 6 years—beginning January 1, 1953—loans were approved providing for an additional 1,116,000 kilowatts of generating capacity. Generation and transmission loans have accounted for almost 31 percent of the total loaned for rural electrification since January 1, 1953, compared with 19 percent before that date. Forty-three percent of the 1958 loans were approved for generation and transmission facilities.

During the past 6 years, first loans have been made to five new generation and transmission cooperatives. In addition, one cooperative has successfully negotiated with AEC for construction of a nuclear reactor as part of AEC's power demonstration program, and 20 borrowers or groups or borrow-

ers have obtained access permits for information from AEC. REA itself is keeping abreast of nuclear developments.

FARMERS PAY LESS FOR ELECTRICITY

The average price of power paid by rural residential consumers has dropped more than three-fourths of a cent per kilowatt hour since 1952. This is due largely to the increased use of electricity. The average price is now about 2.68 cents per kilowatt hour, lowest in REA history. The wholesale cost to REA distribution borrowers is also at a record low—about 8 percent lower than in 1952.

BETTER TELEPHONES AND MORE OF THEM

In early 1953, only 40 REA telephone borrowers had cut over 85 dial central office to bring new or improved service to 7,500 subscribers. As of January 1, 1959, 488 borrowers had cut over 1,855 new dial exchanges. Loans approved since January 1, 1953, will benefit about 800,000 farm families and other rural subscribers. Total telephone loans to date will benefit about 1,100,000 rural subscribers.

BORROWERS BUILD FINANCIAL STRENGTH

Given encouragement toward independence and self-reliance, REA borrowers have made substantial financial progress since 1952. Net worth of electrification borrowers has more than tripled, increasing from \$161 million at the end of December 1952 to \$512 million on December 31, 1958. During the 6-year period January 1, 1953, to January 1, 1959, the number of electrification borrowers behind in their loan payments dropped from 45 to 6. In the same period, the balance of payments on debt made in advance of due dates rose from \$52.5 million to about \$139 million. In the much newer telephone program, the balance of advance payments now exceeds \$1 million, and all but 16 borrowers are current or ahead of schedule on debt payments.

EFFICIENCY BENEFITS ALL

REA has streamlined its procedures to speed processing of loans, to give improved service to borrowers, and to reduce administrative costs. With 11 percent fewer employees today than in 1952, REA is administering much bigger electric and telephone programs. Working with industry REA carries on constant research to hold down construction costs and to improve performance and service.

PLANNING FOR FUTURE GROWTH

To help borrowers keep ahead of new power demands, the Rural Electrification Administration has developed new techniques of long-range planning for rural electric systems. As a result, borrowers will be able to schedule construction several years in advance and to expand at minimum cost. New telephone construction also is being planned to meet needs over an extended period.

Apparently it all depends on who is using "Wall Street" whether it is good or bad.

Mr. Ellis persists in dragging REA's into the public versus private power fight as a partisan advocate of public power. For example, recently in Jacksonville, Fla., he said:

I want to tell you today what I have said many times in the past—that we in NRECA are pleased to have the opportunity of working with the American Public Power Association and its outstanding general manager, Alex Radin, and his able staff.

While the most constant contact between these two associations in Washington is important in our mutual understanding of public affairs and technical problems, I firmly believe that the combined influence that we exert in the legislative field is of vital importance to all of us here today. Be-

cause, in the final analysis, it is on the legislative front where the day-to-day skirmishes culminate in the showdowns that affect the very existence of public power and therefore the future of all consumer-owned and operated utilities.

Another and more disturbing example is a statement by Clyde T. Ellis entitled "Mobilize and Counterattack," delivered before 10 regional meetings of the NRECA in the fall of 1958:

We must make every effort to get legislation to * * * authorize and permit the establishment of public power districts, and for converting electric cooperatives and all other non-Government power facilities within the power district's borders into such districts, as might be necessary.

Clearly this is a proposal to liquidate the local REA cooperatives. And still Mr. Ellis poses as a friend of the REA cooperations and castigates others who are the real friends of REA.

I have no intention of standing idly by and letting men like the present General Manager of NERCA liquidate REA cooperatives. I am sure the farmers in my district all over America would be opposed to their cooperatives being liquidated and delivered into the hands of the Government.

Mr. Speaker, because of the fact that I originally intended to vote to override the presidential veto, it might be interpreted that the REA has been mistreated by this administration and by the very fine Administrators we have had in ANCHER NELSEN and David Hamil; and further, since it is apparent now the decision is purely a partisan political one on the part of Mr. Ellis, and for other reasons which time does not permit me to develop now, I have decided I am fully justified in sustaining the President's veto. However, I do this with the hope that I might have an opportunity later to work for and vote for a proposition which will take the whole REA question entirely out of the Agriculture Department and let it stand on its own as an independent organization which I believe it is well able and qualified to do now.

Mr. DIXON. Mr. Speaker, last Tuesday the Senate bowed to the alter of petty politics and overrode the President's veto of the Rural Electrification Administration bill for which there was no semblance of justification.

I hope the House today will have enough real statesmen who will rise above petty politics to sustain this veto. In my opinion the chief purpose of the bill was to "crucify" Secretary Benson.

The authority of the Secretary of Agriculture over the REA loans was established under President Roosevelt.

The following is just a brief summary of why this bill was a phony.

It would keep the REA in the Secretary's Department and hold him responsible, but deny him any control.

It would create a double-headed organization contrary to good government and the Hoover Commission's recommendation.

It attempted to take control of loans away from the Secretary when REA Administrator David A. Hamil testified that "in not a single instance has Secretary Benson or Director Scott inter-

fered in the discharge of my responsibilities as Administrator of REA. I make the loans."

When the REA was established, only a few farmers enjoyed its electric service, now 96 percent have electricity.

Loans of more than \$1 billion have been made during the last 6 years under Secretary Benson. This is nearly half as much as was loaned by the agency in the 17 years prior to Secretary Benson's administration.

Mr. MEADER. Mr. Speaker, I hope the House will not override the President's veto of S. 144; a bill which removed the power of the Secretary of Agriculture over loans by the Rural Electrification Administration.

I opposed the House measure when it was before us April 15, 1959, setting forth my reasons which appear on pages 5384 and 5385 of the CONGRESSIONAL RECORD of that day.

After the bill had passed the House, I wrote to the President urging him to veto the bill and in addition, wrote a newsletter to my constituents reporting on this legislation and my participation in the debate. I incorporate a copy of that letter at this point in my remarks:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., April 20, 1959.

DEAR FRIEND: The House last week passed, 254 to 131, a bill stripping Agriculture Secretary Benson of his authority over loans by the Rural Electrification Administration, created to finance cooperative electric power and telephone companies in farming areas.

The Rural Electrification Administration was established in 1936 as an independent agency and was incorporated into the Agriculture Department in 1939 by a reorganization plan proposed by President Roosevelt. Congress, in 1953, approved President Eisenhower's reorganization plan based on Hoover Commission recommendations, giving the Secretary of Agriculture complete authority and responsibility over subordinate agencies in his Department, including the REA.

The bill, as passed, amends both reorganization plans and prevents the Secretary of Agriculture from exercising any authority over the granting or denial of REA loans.

As one of the managers of floor debate, I urged the House to reject this measure on the ground that it violated sound principles of administration and good government and that no case had been made to warrant a change in existing law, and I said:

"I appeal to my colleagues not to embark on the dangerous course of creating autonomous little kingdoms in the executive branch of the Government. If the cooperative association lobby succeeds in this movement to place REA outside the channels of control of the administration of the executive branch, what will come next? The Corps of Engineers, the Bureau of Reclamation? What other bureaus having functions of interest to a particular segment of our population will seek to free themselves from supervision and control of Cabinet officers?"

"It is perfectly obvious that if the precedent established today encourages a widespread movement toward dispersal and fragmentation of Government functions, the executive branch of the Government must become an unmanageable hodgepodge of sovereign, autonomous, bureaucracies. Congress will find its control weakened to the point of disappearance."

The bill now goes to the President. I have urged him to veto it, which I believe he will.

Sincerely,

GEORGE MEADER.

Mr. Speaker, I received a great many replies from constituents commending me upon the position I had taken, one of which was from Mr. Fred R. Harris, president of the Southern Telephone Co., of Brooklyn, Mich., in my congressional district, whose company has received substantial financing from the Rural Electrification Administration. Mr. Harris expressed the hope that the President would veto the legislation and because of his long experience with REA financing, I believe his comments will be of interest to my colleagues.

I am, therefore, incorporating the text of his letter at this point in my remarks:

SOUTHERN TELEPHONE CO.,
Brooklyn, Mich., April 22, 1959.

Mr. GEORGE MEADER,
Member, House of Representatives,
Second Michigan District,
Washington, D.C.

DEAR CONGRESSMAN MEADER: I have your letter of April 20, 1959 with reference to your position on the bill to strip the Department of Agriculture of authority over loans by the Rural Electrification Administration.

The writer, as engineer-contractor, built the first REA financed Electric Cooperative in Michigan. This was, and is, the Southeastern Michigan Electric Coop. with headquarters in Adrian. We performed this work in 1937.

The REA was incorporated into the Department of Agriculture in 1939 because it was felt by the cooperatives that the Department would be of material aid in obtaining larger appropriations from Congress.

Our organization built the first REA financed telephone rehabilitation project in Michigan in 1952. This was for the Peninsula Telephone Co. located on Old Mission Peninsula north of Traverse City. There are no telephone cooperatives in Michigan. There are 13 privately owned rural telephone companies in Michigan that are borrowers from REA.

I disposed of my interests in our engineering and construction organization (The Harris-McBurney Co.) 3 years ago. Since then I have become interested in the rehabilitation, modernization, and expansion of rural telephony in Southern Michigan. The Southern Telephone Co., of which I am president, is the result of the consolidation into one organization of the following old switchboard associations—Brooklyn, Cement City, Summerset Center, North Adams, Jerome, and Moscow. We are now engaged in taking over Hanover and Horton. The day of the small telephone company has passed. Modern telephony requires a size sufficiently large to support experienced management, trained technicians, and proper accounting. My experience leads me to believe that this cannot be done economically with much less than 2,000 customers. Upon the completion of our program, we will have obtained from REA approximately one and one-quarter million dollars and will be giving modern dial telephone service to approximately 3,500 rural establishments in Southern Michigan.

We have borrowed this money from the U.S. Government at 2 percent. It is my firm belief that we could have accomplished all that we have should the interest rates have been 3½ percent without materially affecting our rate structure.

During the past 2 years I have been approached by financial people from both New York and Chicago with offers to furnish funds in the millions, for the purchase of small rural telephone companies to be modernized with REA loans. They may have gotten someone else.

I sincerely hope the President will veto the bill which would release the REA from

the control of the Department of Agriculture and also that REA will not make loans at interest rates less than the cost of money to the Government.

Sincerely yours,

FRED R. HARRIS,
Chief Engineer, Michigan Public Utilities
Commission; President, League of
Michigan Municipalities; Member,
Telephone Advisory Committee, U.S.
Department of Agriculture.

Mr. Speaker, I sincerely hope the House will sustain the President's veto of this ill-advised step in the direction of disorganization of Government agencies. It would establish a bad precedent contrary to sound principles of administration and good government. It should not become law.

Mr. FASCELL. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is, Will the House, on reconsideration, pass the bill, the objections of the President to the contrary notwithstanding?

Under the Constitution, this vote must be determined by the yeas and nays.

The question was taken; and there were—yeas 280, nays 146, not voting 7, as follows:

[Roll No. 34]

YEAS—280

Abbitt	Delaney	Ikard
Abernethy	Dent	Irwin
Addonizio	Denton	Jarman
Albert	Dingell	Jennings
Alexander	Dollinger	Johnson, Calif.
Alford	Donohue	Johnson, Colo.
Andersen,	Dowdy	Johnson, Md.
Minn.	Downing	Johnson, Wis.
Anderson,	Doyle	Jones, Ala.
Mont.	Dulski	Jones, Mo.
Andrews	Durham	Karsten
Anfuso	Edmondson	Karth
Ashley	Elliott	Kasem
Ashmore	Everett	Kastenmeier
Aspinall	Evins	Kee
Bailey	Fallon	Kelly
Barden	Farbstein	Keogh
Baring	Fascell	Kilday
Barrett	Feighan	Kilgore
Bass, Tenn.	Fisher	King, Calif.
Beckworth	Flood	Kirwan
Bennett, Fla.	Flynn	Kitchin
Berry	Flynt	Kluczynski
Blatnik	Fogarty	Kowalski
Blitch	Foley	Landrum
Boggs	Forand	Lane
Boland	Forrester	Langen
Bolling	Fountain	Lankford
Bonner	Frazier	Lennon
Bowles	Friedel	Lesinski
Boykin	Gallagher	Levering
Boyle	Garmatz	Libonati
Brademas	Gary	Loser
Breeding	Gathings	McCormack
Brewster	George	McDowell
Brock	Gialmo	McFall
Brooks, La.	Granahan	McGinley
Brooks, Tex.	Grant	McGovern
Brown, Ga.	Gray	McMillan
Brown, Mo.	Green, Oreg.	Macdonald
Buckley	Green, Pa.	Machrowicz
Burdick	Griffiths	Mack, Ill.
Burke, Ky.	Gross	Madden
Burke, Mass.	Hagen	Magnuson
Burleson	Haley	Mahon
Byrne, Pa.	Hall	Marshall
Cannon	Hardy	Matthews
Carnahan	Hargis	Metcalf
Carter	Harmon	Meyer
Casey	Harris	Miller,
Celler	Harrison	Clement W.
Chelf	Hays	Miller,
Clark	Healey	George P.
Coad	Hébert	Mills
Coffin	Hechler	Mitchell
Cohelan	Hemphill	Moeller
Colmer	Herlong	Monagan
Cook	Hogan	Montoya
Cooley	Hollifield	Morgan
Daddario	Holland	Moorhead
Daniels	Holtzman	Morris, N. Mex.
Davis, Ga.	Horaz	Morris, Okla.
Davis, Tenn.	Huddleston	Morrison
Dawson	Hull	Moss

Moulder	Reuss	Sullivan
Multer	Rhodes, Pa.	Teague, Tex.
Murphy	Riley	Teller
Murray	Rivers, Alaska	Thomas
Natcher	Roberts	Thompson, La.
Nix	Rogers, Colo.	Thompson, N.J.
Norrell	Rogers, Fla.	Thompson, Tex.
O'Brien, Ill.	Rogers, Tex.	Thornberry
O'Brien, N.Y.	Rooney	Toll
O'Hara, Ill.	Roosevelt	Trimble
O'Hara, Mich.	Rostenkowski	Tuck
O'Konski	Roush	Udall
O'Neill	Rutherford	Ullman
Oliver	Santangelo	Vanik
Passman	Saund	Vinson
Patman	Scott	Walter
Perkins	Selden	Wampler
Pfost	Shelley	Watts
Philbin	Sheppard	Whitener
Philcher	Shipley	Whitten
Poage	Sikes	Wier
Porter	Sisk	Williams
Powell	Slack	Willis
Preston	Smith, Iowa	Winstead
Price	Smith, Miss.	Wolf
Prokop	Smith, Va.	Wright
Pucinski	Spence	Yates
Quigley	Staggers	Young
Rabaut	Steed	Zablocki
Rains	Stratton	Zelenko
Randall	Stubblefield	

NAYS—146

Adair	Dorn, S.C.	Milliken
Alger	Dwyer	Minshall
Allen	Fenton	Moore
Arends	Fino	Mumma
Auchincloss	Ford	Nelsen
Avery	Frelinghuysen	Norblad
Ayres	Fulton	Osmer
Baker	Gavin	Ostertag
Baldwin	Glenn	Pelly
Barr	Griffin	Pillion
Barry	Gubser	Pirnie
Bass, N.H.	Halleck	Poff
Bates	Halpern	Quile
Baumhart	Henderson	Ray
Becker	Hess	Reece, Tenn.
Bennett, Mich.	Hiestand	Rees, Kans.
Bentley	Hoeven	Rhodes, Ariz.
Betts	Hoffman, Ill.	Riehlman
Bolton	Hoffman, Mich.	Robison
Bosch	Holt	Rogers, Mass.
Bow	Hosmer	St. George
Bray	Jackson	Saylor
Broomfield	Jensen	Schenck
Brown, Ohio	Johansen	Scherer
Broyhill	Jonas	Schwengel
Budge	Judd	Short
Byrnes, Wis.	Kearns	Siler
Cahill	Keith	Simpson, Ill.
Canfield	Kilburn	Simpson, Pa.
Cederberg	King, Utah	Smith, Calif.
Chamberlain	Knox	Smith, Kans.
Chenoweth	Lafore	Springer
Chiperfield	Laird	Taber
Church	Latta	Taylor
Collier	Lindsay	Teague, Calif.
Conte	Lipscomb	Thomson, Wyo.
Corbett	McCulloch	Tollefson
Cramer	McDonough	Utt
Cunningham	McIntire	Van Pelt
Curtin	McSweeney	Van Zandt
Curtis, Mass.	Mack, Wash.	Wainwright
Curtis, Mo.	Mailliard	Wallhauser
Dague	Martin	Wels
Derounian	Mason	Wharton
Derwinski	May	Widnall
Devine	Meader	Wilson
Dixon	Morrow	Withrow
Dooley	Michel	Younger
Dorn, N.Y.	Miller, N.Y.	

NOT VOTING—7

Belcher	Rivers, S.C.	Weaver
Bush	Rodino	Westland
Diggs		

So, two-thirds not having voted in favor thereof, the veto of the President was sustained and the bill was rejected.

The Clerk announced the following pairs:

Mr. Weaver and Mr. Rodino, for, with Mr. Bush against.

Mr. Rivers of South Carolina and Mr. Diggs for, with Mr. Westland against.

The SPEAKER. On this vote the yeas are 280, and the nays are 146.

Two-thirds not having voted in the affirmative, the bill is rejected and the

message and bill are referred to the Committee on Government Operations and ordered to be printed.

The Clerk will notify the Senate of the action of the House.

DEPARTMENTS OF LABOR, AND HEALTH, EDUCATION, AND WELFARE, AND RELATED AGENCIES APPROPRIATION BILL, 1960

Mr. FOGARTY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 6769) making appropriations for the Departments of Labor, and Health, Education, and Welfare, and related agencies, for the fiscal year ending June 30, 1960, and for other purposes; and, pending that motion, Mr. Speaker, I ask unanimous consent that general debate be limited to 2 hours, the time to be equally divided and controlled by the gentleman from Wisconsin [Mr. LAIRD], and myself.

The SPEAKER. Is there objection to the request of the gentleman from Rhode Island?

There was no objection.

The SPEAKER. The question is on the motion offered by the gentleman from Rhode Island.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 6769, with Mr. KEOGH in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. FOGARTY. Mr. Chairman, it is my privilege again for the ninth time in 13 years as chairman of this committee to bring to the House the annual appropriation request for the Departments of Labor, and Health, Education, and Welfare.

First, I would like to express my appreciation to the members of our subcommittee. This has been a long year with regard to hearings. The testimony we received covered over 600 pages more than we had last year, and the attendance of the subcommittee was on a par with any subcommittee that I have served on. I especially want to thank the Member on the Democratic side, the gentleman from Indiana [Mr. DENTON], for the able support and cooperation that he has given our committee and because of his knowledge of the programs for which we have the responsibility of appropriating funds. This applies also to the gentleman from Minnesota [Mr. MARSHALL], without whose help I do not know how we could get along, because he certainly has been a tower of strength on this committee. Then, too, on the Republican side, the gentleman from Wisconsin [Mr. LAIRD] has been with us now for some time, and I certainly appreciate the cooperation that he has given to me as chairman and his attendance and his willingness to sit during long hours and long days of hearings. He has done a really good job for his side of the aisle.

This year we had a new member, the gentleman from Michigan [Mr. CEDERBERG], and I also want to say that we appreciate his support and cooperation and the wonderful job that he is doing on this committee. Then, of course, no committee can get along without a good clerk, and I think I can say without fear of contradiction that we have the best clerk of the Committee on Appropriations on this particular subcommittee, Robert Moyer. He has been doing a wonderful job. He is fair to all. He is familiar with all the programs, and he keeps us right on the ball and lets us know whether something is right or wrong and keeps us on our toes. So, we have a very good committee, and I think we have an excellent report. I hope that every Member of the House will take the time to read it.

Mr. Chairman, in the time available to me I would like to go down the recommended appropriations for 1960 as compared with 1959. The total we are recommending for 1960 is \$3,915,084,000. This figure compares with \$3,862,029,000 in 1959, and with the estimates that were given by the agencies appearing before us of \$3,756,848,000. In other words, we are asking the Congress to appropriate this year \$53 million more than it did in 1959 and \$158,235,000 more than the Budget Bureau requested the Congress to appropriate.

We have a few changes in the Department of Labor. I will go down those briefly. The committee reduced the Secretary's office of the Department of Labor \$10,000. We cut the Bureau of Labor Standards \$192,000. Grants to States, under the Bureau of Employment Security were reduced \$12,865,000, and grants to States for unemployment compensation for veterans and Federal employees, \$10 million on the basis of the recent estimates of the Department of Labor as to the prospective improvement in the employment situation in the latter part of this calendar year.

We reduced the request for the Bureau of Labor Statistics \$45,500, which makes a total reduction of \$23,112,500 for the Department of Labor.

For the Department of Health, Education, and Welfare we have increased the amount for the Food and Drug Administration for salaries and expenses by \$2 million. I think many of the Members will remember that just a few years ago, when Mrs. Hobby was Secretary of the Department of Health, Education, and Welfare, she appointed a special Citizens Committee to review the activities of the Food and Drug Administration and report back as to what should be done to improve this important program. We have allowed \$13,800,000, an increase of \$2 million over the budget. This is just a little bit less than the report the Citizens Committee would indicate ought to be expended in 1960.

The progress in technology has presented problems in the growing, manufacture, processing, and distribution of our food supply unheard of only a few years ago. One of the outstanding examples is the extensive use of pesticides in crop production. Residues remain-

ing on crops at the time of harvest are a major problem.

Today, radioactivity is getting into the food supply of the Nation, yet FDA does not have the facilities to determine the extent of the problem let alone establish the safe tolerances levels which it is required by law to issue. Today, there is serious question about the safety of waxes used to coat cardboard milk containers. Some scientists believe that they may contain cancer-producing chemicals but FDA does not have the funds or facilities to determine whether this disturbing suspicion is fact. Today, nutritionists seriously question the safety of fats that are heated and reheated in the french frying of foods. They are believed to cause serious nutritional disturbances. FDA has not the facilities to determine whether these widely used substances actually present a threat to the health of the Nation. Today, extremely potent drugs used to treat arthritis and related diseases are being used in tremendous quantity on sick people throughout the Nation. They are recognized by doctors as having an extreme possibility for harm if given in too great a dosage. Adequate methods for analyses of these drugs are not available and FDA does not have the necessary funds to develop these methods which are essential for protection of the public health.

Many on our committee think the report of Mrs. Hobby's citizens committee is outdated because of the things I have mentioned, new activities that have been added by law to the Food and Drug Administration, the increase in products on the market, and the increase in the number of establishments subject to the act, but at least this \$2 million increase will allow them some expansion and will allow them to do a considerably better job than would have been possible under the budget.

For Gallaudet College we have allowed \$162,000 over the request. This is, as you know, the only college for the deaf in the country. We started a building program 2 or 3 years ago. I am sorry to say that we have not been able to give them more of an increase and allow funds for two or three buildings for which plans have been drawn. We ought to be building at this time. However, this increase will put them in a little better situation than they would have been under the budget.

For the Office of Education we have added \$1,100,000 to the vocational education program for the training of practical nurses. That would bring this amount up to the \$4 million that they had in 1959.

For grants for library services we have restored a cut of \$850,000, which will bring that item up to \$6 million, the same amount that they had available in 1959.

The budget recommendation of \$5,150,000 was a 14-percent decrease from the \$6 million appropriated by the Congress for the current fiscal period. The unobligated funds do not make up the difference. All funds appropriated under the Library Services Act are ano-

cated to the States even though a State does not use its full allotment. These allocations remain available to specific States for 1 succeeding fiscal year unless the State certifies that it will not be using its funds. No States have certified they will release any funds for redistribution in fiscal 1960.

Furthermore, Delaware and Wyoming are planning to enter the program in July of this year and will be requesting their allotments for fiscal 1959 which are included in this balance.

Under the budget at least 37 States would have less money in 1960 than in fiscal 1959. For instance, Ohio would have \$26,000 less in fiscal 1960, Wisconsin would be cut by \$12,000, California's loss would be \$31,000, Mississippi would have \$24,000 less and Minnesota would be cut by \$21,000 to mention a few. The difference between allocations under the present \$6 million appropriation and allocations under \$5,150,000 would amount to an average loss of about \$20,000 for each of these States.

This reduction in Federal funds would mean that these States would not be able to initiate new projects, the towns and villages which have been planning and looking forward to having library service in 1960 and have already taken necessary legal action to provide necessary matching funds would be denied this opportunity. Every State already has more applications for library extension projects than it has local, State and Federal funds to carry out the plans.

There are still approximately 25 million people in rural areas without any public library service and another 50 million with only inadequate public library service.

The next change is in for payments to school districts and school construction under Public Law 874, and Public Law 815. Under these laws we provide funds for the maintenance and operation of schools in federally impacted areas and for the construction of schools in these federally impacted areas. We allowed 100 percent of what these school districts are entitled to under the law. We restored the 15 percent cut that was made by the Bureau of the Budget. The increase for payments to school districts was \$21,657,000, and for school construction \$22,635,000, above the request.

The Office of Education has told our committee that this will allow these districts that are eligible under the formula set up by the law to get the full 100 percent they are entitled to.

The budget justification submitted for the school construction program showed that federally impacted school districts would have an increase of 57,000 federally connected children who need to be provided with school facilities, and that more than \$61 million is needed to pay the eligible districts the Federal share of this construction cost, but the budget requested appropriation of only \$38.5 million.

When funds appropriated under Public Law 815 are not enough to pay the requirements of eligible districts, the funds available are given to the high priority cases. What justification is

there for the Federal Government to say to some 63 percent of the eligible school districts "you can have all you are entitled to under the act," and say to the remaining 37 percent "you get nothing." "You don't get any help even though 7,400 of the children new in your school districts for whom you must build school facilities live on nontaxable Federal property." That will be the result if we appropriate only the amount requested by the Department.

It must be remembered that a school district is not eligible for Federal construction funds unless it has a substantial increase in the number of federally connected children and no school facilities to house this increase. Thus, if the full amount needed is not appropriated, hundreds of school districts will be unable to build the additional school buildings required for this increase. The result will be more overcrowding, double sessions, and temporary or makeshift arrangements for federally connected children in these areas where our most important defense and other Federal projects are located. The federally impacted areas already have an abnormal increase in non-Federal children and their facilities and resources are strained to the limit. They cannot build the required schools without Federal help.

Then regarding the appropriation for payments to school districts under Public Law 874.

The justification submitted by the Department showed that approximately 4,000 school districts would be eligible during the 1960 fiscal year for entitlements amounting to approximately \$164 million. The administration requested that \$142,300,000 be appropriated which is sufficient to pay only 85 percent of each district's entitlement.

There are hundreds of school districts in the Nation that are accepting responsibility for providing free public education for children that live on Federal property and for which they receive no local taxes for the support of schools. The greatest worry of local school districts who are accepting this responsibility is that the appropriations made under Public Law 874 will not permit payment of 100 percent of the funds to which they are entitled. If the full appropriations are not made, many of these school districts will not be able to supply the additional 15 percent of the funds required for free public education during the year.

If these districts cannot get even the local share of the cost of educating these children who live on Federal property and for whom they receive no local school taxes, they will say to the Federal Government, "You educate them under section 6 of the act and pay the full cost of their education." The failure to appropriate the full amount of the entitlements to these districts may well result in a greater cost to the Federal Government and, in addition, could create a system of Federal education throughout the country for children who live on Federal property.

Grants for waste treatment works construction was cut back in the execu-

tive budget, by \$25 million. Because of the testimony we had before our committee, we restored that cut of \$25 million. We are allowing \$45 million for 1960, which is the exact amount appropriated for 1959.

Last year sewage treatment construction for cities totaled a record high of \$400 million—up from \$200 million annual average for the years 1950–55. Federal grants were about 10 percent of the total cost. These Federal grants were the major factors in accelerating State and local actions on pollution abatement. This is no time to disrupt this essential work.

The growing pollution problem requires a construction level for city sewage works of \$500 million a year. We are now approaching this level. A cut-back to \$20 million would certainly reverse this upward trend.

The matter of water pollution control is not a question of desirability but one of necessity to conserve our water resources to support our economic growth. From the standpoint of public health more than 100 million people get their drinking water from these polluted streams.

Everybody agrees we must build these sewage treatment plants. The record shows that the grants are stimulating construction. We must restore the \$25-million cut proposed in the President's budget to sustain this progress. There are more than 1,000 grant applications pending. Construction of essential sewage treatment works is a must and the longer we delay in building these plants, the greater will be the cost.

For Indian health activities we have increased the budget request by \$2 million and the item, "Construction of Indian Health Facilities" by \$1,500,000.

We have on our committee one of the outstanding experts in this field the gentleman from Minnesota [Mr. MARSHALL], who has been paying particular attention to the program dealing with the health problems of the Indians in our country. He has taken the time to go out and visit these reservations and upon his recommendation we have added amounts which will continue the progress in providing better health facilities and better health services for the Indians of our country.

We increased the request for hospital construction by \$42,500,000 from \$101,200,000 to \$143,700,000. The Executive budget cut this program \$85 million and we restored 50 percent of the cut. This is the old Hill-Burton program, which I think is one of the most popular programs in the Federal Government. The recommendation in the bill is still \$42,500,000 less than they had available in 1959. But, it is a compromise the committee agreed on and one that I will support as chairman of this subcommittee.

Assuming that the States follow the same pattern of project planning in 1960 as in the past, the \$100 million in construction grant funds requested for 1960 would produce approximately 15,050 hospital and nursing home beds. Approximately 25,400 beds will be built outside the Hill-Burton program or a total of 40,450 beds.